

**ANNUAL
FINANCIAL REPORT
OF THE
CITY OF LE MARS, IOWA
FOR THE FISCAL YEAR ENDED
JUNE 30, 2015**

Prepared by the
Finance Department
Bill Cole, Assistant City Administrator/Finance Director

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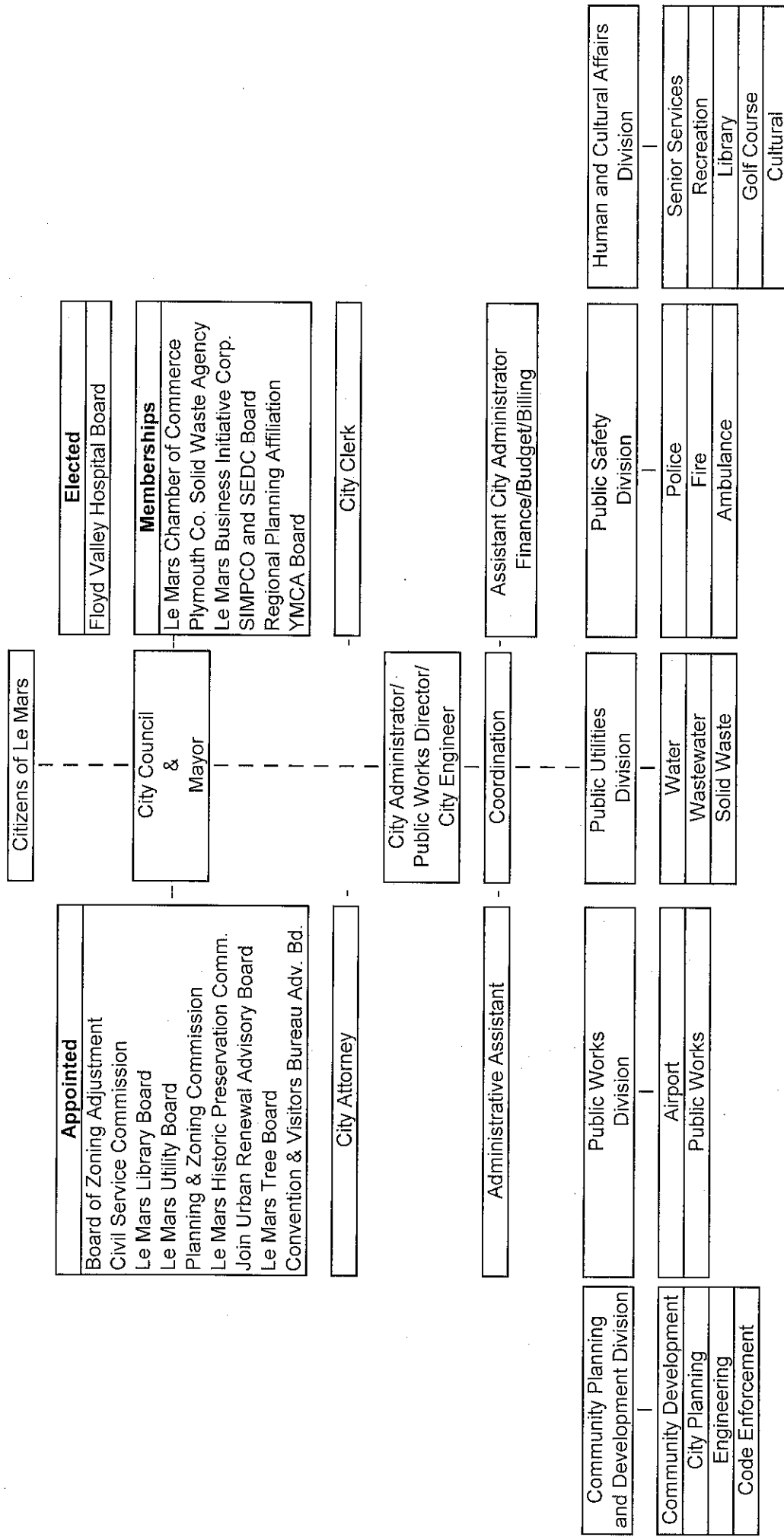
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City of Le Mars, Iowa Organizational Chart



CITY OF LE MARS

List of Principal Officials June 30, 2015

Title	Name
Mayor	Dick Kirchoff
Council Member and Mayor Pro-Tem.....	Rex Knapp
Council Member	Clark Goodchild
Council Member.....	Delana Ihrke
Council Member.....	Kenneth Nelson
Council Member.....	John Rexwinkel
City Clerk/Treasurer.....	Beverly Langel
City Attorney	Joseph Flannery
City Administrator/Public Works Director/City Engineer	Scott Langel
Assistant City Administrator/Finance Director	Bill Cole
Code Enforcement Officer	Jason Vacura
Chief of Police	Stuart Dekkenga
Fire Chief.....	David Schipper
Wastewater Superintendent.....	Ron Kayser
Assistant Wastewater Superintendent.....	William Morgan
Water Superintendent.....	Gayle Sitzmann
Mapping Manager	James Conley
Ambulance Director	Bill Rosacker
Golf Course Manager.....	Doug Schultz
Library Director	Shirley Taylor
Airport Manager	Earl Draayer
Street Supervisor	Scott Kneip
Public Facilities Supervisor	Brad Eppling



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INDEPENDENT AUDITOR'S REPORT

The Mayor and Members of the
City Council
City of Le Mars, Iowa

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the CITY OF LE MARS, IOWA, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of Floyd Valley Municipal Hospital (a discretely presented component unit), which statements reflect total assets of \$42,100,239 as of June 30, 2015 and total operating revenues of \$36,361,315 for the year then ended. Those financial statements were audited by other auditors whose reports have been furnished to us, and our opinion insofar as it relates to the amounts included for Floyd Valley Municipal Hospital, is based solely on the reports of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit includes performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Le Mars, Iowa as of June 30, 2015, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 16 to the financial statements, the City of Le Mars adopted new accounting guidance related to the Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions – an Amendment of GASB Statement No. 27*. Our opinions are not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, the Schedule of the City's Proportionate Share of the Net Pension Liability, the Schedule of City Contributions and the Schedule of Funding Progress for the Retiree Health Plan on pages 6 through 15 and 68 through 79 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The combining nonmajor fund financial statements and supplementary statistical section are presented for purposes of additional analysis and are not a required part of the financial statements.

The combining nonmajor fund financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to

prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, based on our audit and the procedures performed as described above, the combining nonmajor fund financial statements are fairly stated in all material respects in relation to the basic financial statements as a whole.

The supplementary statistical section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated April 13, 2016, on our consideration of the City of Le Mars's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Le Mars's internal control over financial reporting and compliance.

Williams & Company P.C.
Certified Public Accountants

Le Mars, Iowa
April 13, 2016

Management Discussion and Analysis

June 30, 2015

This discussion and analysis of the City of Le Mars financial performance provides an overview of the City's financial activities for the fiscal year ending June 30, 2015. We encourage the readers to consider the information presented here in conjunction with the additional information furnished in the City's financial statements that follow this report, as well as the separately issued financial statements of Floyd Valley Hospital, a discretely presented component unit of the City.

Financial Highlights:

- The assets of the City of Le Mars exceeded liabilities at June 30, 2015, by \$62,461,257. Of this amount, \$6,118,927 is unrestricted and may be used to meet the government's ongoing obligations to citizens and creditors.
- The City's net position increased by \$2,783,876 during the year. Of this amount, the assets of our Governmental Activities increased \$1,163,640 and the assets of our Business-Type Activities increased \$1,620,236.

The City's General Obligation debt decreased by \$1,269,951 during fiscal year 2015, making the General Obligation debt \$4,964,990 at year end. This decrease is the result of normal debt payments. The City Revenue Bond debt increased by \$994,415 during fiscal year 2015, making the Revenue Bond debt \$25,697,585 at year end. This increase is a result of the annual payments of the debt replacing/refinancing SRF debt and issuing new Sewer Plant debt.

OVERVIEW OF THE FINANCIAL STATEMENTS

In addition to the Management Discussion and Analysis, this annual report consists of a series of financial statements. The Statement of Net Position and the Statement of Activities provide information about the activities of the City as a whole and present a longer-term view of the City's finances. Fund financial statements tell how these services were financed in the short term, as well as what remains for future spending. Fund financial statements also report the City's operations in more detail than the government-wide statements by providing information about the City's most significant funds. The remaining statements provide financial information about activities for which the City acts solely as a trustee or agent for the benefit of those outside of the government. An additional part of the basic financial statements are the Notes to the Financial Statements. This report also contains other supplementary information in addition to the basic financial statements.

REPORTING THE CITY AS A WHOLE

The Statement of Net Position and the Statement of Activities

The government-wide statements report information about the City as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Position includes all of the government's assets and liabilities. All of the current year's revenues and expenses are accounted for in the Statement of Activities, regardless of when cash is received or paid.

One of the most important questions asked about the City's finances is *"Is the City of Le Mars in a better financial position at the end of this fiscal year, compared to last year?"* The Statement of Net Position and the Statement of Activities report information about the City as a whole and about its activities in a way that helps answers this question. These statements include all assets and liabilities using the accrual basis of accounting, which is very similar to the method of accounting used by most private-sector companies. These two statements report the City's net position, which is the difference between assets and liabilities, as one way to measure the City's financial health, or financial position. Over time, increases or decreases in the City's net position is one indicator of whether its financial health is improving or deteriorating. Additional factors, such as changes in the City's property tax base and sales tax collections and condition of the City's infrastructure, are also important in making this determination.

In the Statement of Net Position and the Statement of Activities, we have divided the City into two kinds of activities:

- **Governmental Activities** – Most of the City's basic services are reported here, such as Police, Fire, Public Works and Parks departments, and general administration. Property taxes and state and federal grants finance most of these activities.
- **Business Type Activities** – The City charges fees to customers to cover the cost of these services. Included here are the City Water, Sewer, Solid Waste and Golf Course funds.

REPORTING THE CITY'S MOST SIGNIFICANT FUNDS

Fund Financial Statements

The fund financial statements provide detailed information about the most significant funds – not the City as a whole. Some funds are required to be established by State law or by bond requirements. The City Council also established funds to control and manage money for particular purposes (such as construction projects) and to show that it is properly using certain revenues (such as Sales Tax Revenues). The City has the following types of funds:

- **Governmental Funds** – Most of the City's basic services are included in Governmental Funds, which focus on how money moves into and out of these funds and the balances left at year-end that are available for spending. These funds are reported using the "modified accrual basis" of accounting, which measures cash and all other financial assets that can readily be converted to cash. The Governmental Fund Statements provide a detailed short-term view of the City's general governmental operations and basic services it provides. Governmental Fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance City programs. We describe the relationship between Governmental Activities (reported in the Statement of Net Position and the Statement of Activities) and Governmental Funds in a reconciliation following each Governmental Fund financial statement.
- **Proprietary Funds** – When the City charges customers for the service it provides, these services are generally reported in Proprietary Funds. Proprietary Funds are reported in the same way that all activities are reported in the Statement of Net Position and the Statement of Activities. The major difference between the Proprietary Funds report and the Business Type Activities we report in the government-wide statements is the detail and additional information, such as cash flows, provided in the Proprietary Funds report.

THE CITY AS TRUSTEE

Reporting the City's Fiduciary Responsibilities

Fiduciary Funds are used to account for resources held for the benefit of parties outside the City government. The City is responsible for ensuring that the assets reported in these funds are used for their intended purposes. All of the City's fiduciary activities are reported in a separate Statement of Fiduciary Net Position and a Statement of Changes in Fiduciary Net Position. We exclude these activities from the City's government-wide financial statements because the City cannot use these assets to finance its operations.

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes can be found behind the Fiduciary Funds statements.

THE CITY AS A WHOLE

As stated earlier, net position may serve over time as a useful indicator of a government's financial position. The largest part of the City's net position reflects its investment in capital assets (land, buildings and improvements, and equipment), net of any related debt used to acquire those assets that are still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from the other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

The following comparison chart show the changes in net position for the years ended June 30, 2015 and 2014.

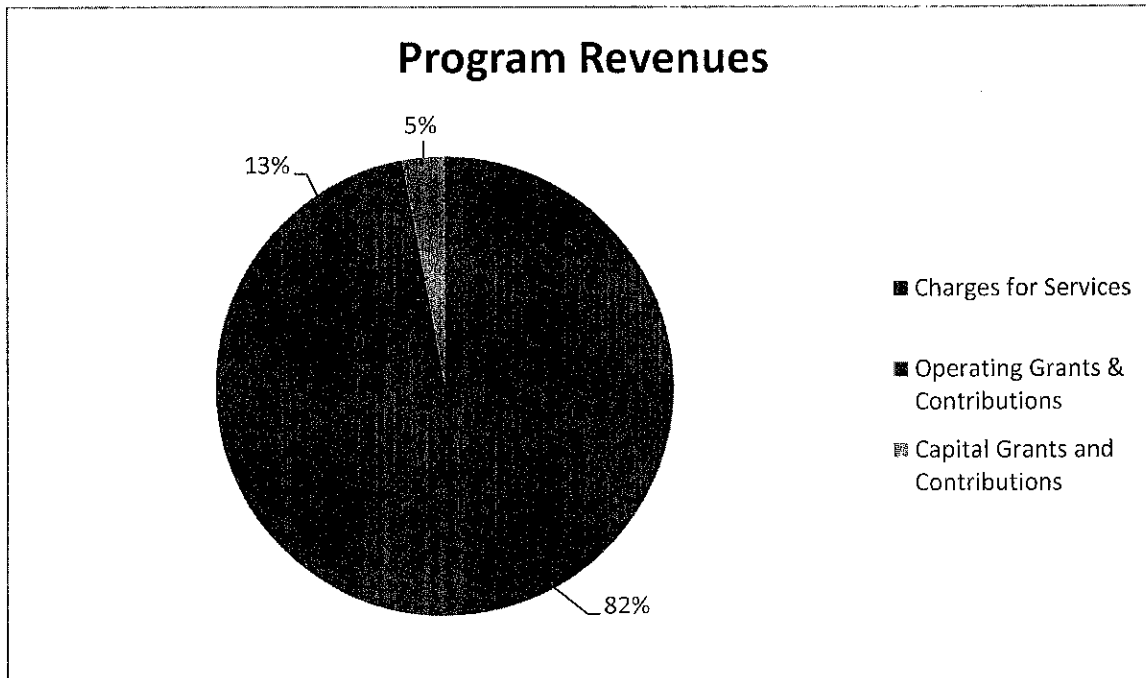
	Governmental Activities		Business Type Activities		Totals	
	2015	2014 (Not Restated)	2015	2014 (Not Restated)	2015	2014 (Not Restated)
Current and Other Assets	\$ 16,577,486	\$ 16,537,849	\$ 8,722,061	\$ 7,991,431	\$ 25,299,547	\$ 24,529,280
Capital Assets	32,533,233	30,830,922	51,974,617	50,576,127	84,507,850	81,407,049
Total Assets	49,110,719	47,368,771	60,696,678	58,567,558	109,807,397	105,936,329
Deferred Outflows of Resources	668,293	-	108,436	-	776,729	-
Long-Term Liabilities Outstanding	7,649,964	6,596,247	28,113,466	26,250,270	35,763,430	32,846,517
Other Liabilities	664,926	501,736	1,077,137	2,000,932	1,742,063	2,502,668
Total Liabilities	8,314,890	7,097,983	29,190,603	28,251,202	37,505,493	35,349,185
Deferred Inflow of Resources	10,414,388	7,509,016	202,988	-	10,617,376	7,509,016
Net Position:						
Net Investment in Capital Assets	28,765,156	26,165,263	24,443,529	24,525,614	53,208,685	7,509,016
Restricted	3,083,415	3,816,943	50,230	52,671	3,133,645	3,869,614
Unrestricted	(798,837)	2,779,566	6,917,764	5,738,071	6,118,927	8,517,637
Total Net Position	\$ 31,049,734	\$ 32,761,772	\$ 31,411,523	\$ 30,316,356	\$ 62,461,257	\$ 63,078,128

This summary reflects a decrease of total net position of 5.23% for the governmental activities and an increase of 3.61% in the business-type activities.

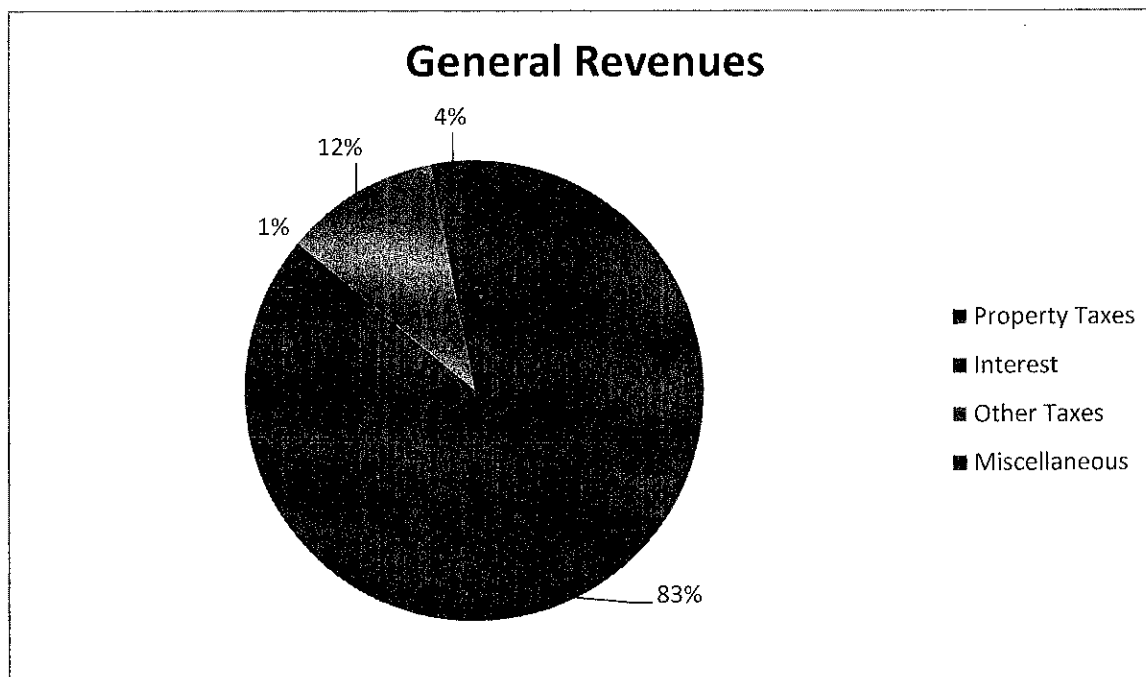
Total revenue reported in Fiscal 2015 was \$20,521,371. The following table breaks down revenues collected for General Governmental Activities and Business-Type Activities for Fiscal Year 2015 and 2014:

Revenue Source	Governmental Activities		Business Type Activities		Totals	
	2015	2014 (Not Restated)	2015	2014 (Not Restated)	2015	2014 (Not Restated)
Program Revenues:						
Charges for Services	\$ 1,631,288	\$ 1,643,767	\$ 7,525,872	\$ 6,146,193	\$ 9,157,160	\$ 7,789,960
Operating Grants and	1,472,036	1,188,976	-	-	1,472,036	1,188,976
Capital Grants and Contributions	381,519	247,441	202,000	25,057	583,519	272,498
Total Program Revenues	3,484,843	3,080,184	7,727,872	6,171,250	11,212,715	9,251,434
General Revenues & Interfund						
Property Taxes	7,684,436	8,677,245	-	-	7,684,436	8,677,245
Local Option Sales Tax	964,223	970,224	-	-	964,223	970,224
Hotel/Motel Taxes	147,147	138,965	-	-	147,147	138,965
Interest	49,222	42,159	6,760	15,467	55,982	57,626
Revenue from Use of Property	3,780	3,690	-	-	3,780	3,690
Gain of Sale of Assets	-	1,976	9,647	58,738	9,647	60,714
Sale of Non-Capitalized Assets	68,001	45,278	4,256	7,833	72,257	53,111
Refunds/Reimbursements	252,618	131,484	101,087	26,448	353,705	157,932
Miscellaneous	17,479	29,914	-	2,005	17,479	31,919
Total General Revenues	9,186,906	10,040,935	121,750	110,491	9,308,656	10,151,426
Interfund Transfers	(353,358)	(26,703)	353,358	26,703	-	-
Total Revenues and Interfund Transfers	\$ 12,318,391	\$ 13,094,416	\$ 8,202,980	\$ 6,308,444	\$ 20,521,371	\$ 19,402,860

Program revenues totaled \$11,212,715 for fiscal year 2015. Governmental Activities provided \$3,484,843 and Business-Type Activities provided \$7,727,872. Revenue collected for Charges for Services during fiscal year 2015 was \$9,157,160, accounting for 81.67% of the total program revenues. The following chart breaks down program revenues by source:



General Revenues for fiscal year 2015 totaled \$9,308,656. Governmental Activities provided \$9,186,906 and Business-Type Activities provided \$121,750. Property Tax Revenues for fiscal year 2015 totaled \$7,684,436, accounting for 82.55% of General Revenues. The following chart breaks down General Revenues by source:



Expenses for fiscal year 2015 totaled \$17,737,495. Expenses for Governmental Activities totaled \$11,154,751, accounting for 62.89% of total expenses. Business-Type Activity expenses totaled \$6,582,744, for 37.11% of the total.

The following table shows total expenses by Function/Program for fiscal years 2015 and 2014:

Program Level	Governmental Activities		Business-Type Activities		Totals	
	2015	2014	2015	2014	2015	2014
Public Safety	\$ 2,528,993	\$ 2,870,788	\$ -	\$ -	\$ 2,528,993	\$2,870,788
Public Works	3,766,856	3,479,703	-	-	3,766,856	3,479,703
Culture and Recreation	2,146,189	2,023,217	-	-	2,146,189	2,023,217
Community and Economic Development	1,465,297	369,954	-	-	1,465,297	369,954
General Government	1,169,285	1,273,965	-	-	1,169,285	1,273,965
Debt Service	78,131	84,006	-	-	78,131	84,006
Sewer System	-	-	3,635,342	2,754,504	3,635,342	2,754,504
Water System	-	-	1,707,561	1,960,628	1,707,561	1,960,628
Solid Waste	-	-	670,331	528,594	670,331	528,594
Golf Course	-	-	493,212	483,659	493,212	483,659
Storm	-	-	76,298	45,575	76,298	45,575
Total Expenditures	\$ 11,154,751	\$ 10,101,633	\$ 6,582,744	\$ 5,772,960	\$ 17,737,495	\$ 15,874,593

The following table shows the activities included within each program level:

Program Level

Public Safety
Public Works

Culture and Recreation

Community and Economic Development

General Government

Debt Service

Capital Projects

Sewer System

Water System

Solid Waste

Golf Course

Activity

Individual & Community Protection, Physical Health

Roadway Construction, Airport Operations, Street Lighting,
Transportation Services

Education & Culture, Leisure Time Opportunities

Economic Development, Community Beautification,
Planning & Zoning

Administration, Support Services

Payment of Interest and principal of outstanding debt

Construction of Capital Facilities

Operation of the waste water treatment plant

Operation of the waste water treatment plant

Operation of garbage collection and disposal

Operation of Golf Course

Governmental Activities

To aid in the understanding of the Statement of Activities, some additional explanation is given. Of particular interest is the format that is significantly different than a typical Statement of Revenues, Expenses and Changes in Fund Balance. Please note that the expenses are listed in the first column, with revenues from that particular program reported to the right. The result is a Net (Expense) Revenue calculation. This format highlights the respective financial burden that each of the functions place on the taxpayers. For example, for Public Safety, the City spent \$2,528,993 and received \$786,469 in revenue, thus leaving a cost to the taxpayer of \$1,742,524 to be funded by various methods. The new format also identifies how much each function draws from general revenues or is self-financing through fees or grants. Some of the individual line item revenues reported for each function are:

Public Safety	Fines, Fees
Public Works	Road Use Tax, Rent
Culture and Recreation	Fees, State Aid,
General Government	Licenses, Permits
Capital Projects	Donations, State Grants, Federal Grants

The total cost of governmental activities this year was \$11,154,751. Of these costs, \$1,631,288 was paid by those who directly benefited from the programs. Costs paid by other governments and organizations that subsidized certain programs with grants and contribution were \$1,853,555, leaving a Net Expense of \$7,669,908 for Governmental Activities. These expenses of \$7,669,908 were covered with tax revenues, interest and other general revenues. The Statement of Activities in the financial statements provides further detail. The Net (Expense) Revenue by Governmental Activity is shown in the following table:

Functions/Programs	Net (Expense) Revenue	
	<u>2015</u>	<u>2014</u>
Governmental Activities:		
Public Safety	\$ (1,742,524)	\$ (2,117,210)
Public Works	(2,620,404)	(2,352,651)
Culture and Recreation	(1,290,271)	(1,296,078)
Community and Economic Development	(1,084,724)	(256,837)
General Government	(853,854)	(914,667)
Debt Service	(78,131)	(84,006)
Total Net (Expense) Governmental Activities	(7,669,908)	(7,021,449)
General Revenues	9,186,906	10,040,935
Excess of revenues over expenditures	1,516,998	3,019,486
Interfund Transfers	(353,358)	(26,703)
Change in Net Position	\$ 1,163,640	\$ 2,992,783

Total resources available during the year to finance governmental operations were \$42,204,485, consisting of Net Position at July 1, 2014 of \$29,886,094, Program Revenues of \$3,484,843, General Revenues of \$9,186,906, interfund transfers of (\$353,358). Total Governmental Activities during the year expended \$11,154,751; thus, Net Position increased by \$1,163,640 to \$31,049,734 at June 30, 2015.

Business Type Activities

Business Type Activities increased the City's net position by \$1,620,236.

The cost of all Proprietary Activities this year was \$6,582,744. As shown in the Statement of Activities, the amount paid by users of the systems was \$7,525,872. Costs paid by other governments and organizations that subsidized certain programs with grants and contribution were \$202,000. This resulted in total Net Revenue for Business Type Activities of \$1,145,128. The Net (Expense) Revenue by Business Type Activity is shown in the following table:

Business-Type Activities	Net (Expense) Revenue	
	2015	2014
Sewer System	\$ 709,944	\$ 253,011
Water System	506,089	7,890
Solid Waste	(75,337)	80,297
Golf Course	(134,336)	(109,562)
Storm Sewer	138,768	166,654
Total Net Revenue (Expense)		
Business Type Activities	1,145,128	398,290
General Revenues	121,750	110,491
Excess of revenues over expenses	1,266,878	508,781
Interfund Transfers	353,358	26,703
Change in Net Position	\$ 1,620,236	\$ 535,484

Total resources available during the year to finance Proprietary Fund activities were \$37,994,267, consisting of Net Position at July 1, 2014 of \$29,791,287, Program Revenues of \$7,727,872, General Revenues of \$121,750 and interfund transfers of \$353,358. Total Proprietary Fund Activities during the year expended \$6,582,744; thus Net Position increased to \$31,411,523.

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing financing requirements. Unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of a fiscal year. The City's Governmental Funds reported combined ending fund balances of \$5,739,043. The combined Governmental Funds fund balance decreased \$2,114,505 from the prior year.

The General Fund is the primary operating fund of the City. During the year, the net change in fund balance in the General Fund was (\$346,622). The unassigned fund balance of \$1,515,883 represents 68 days of coverage.

BUDGETARY HIGHLIGHTS

The following table shows the budget variances by program structure:

Disbursements	Amended Budget	Actual (Cash Basis)	Variance Favorable (Unfavorable)
Public Safety	\$ 3,002,871	\$ 2,973,931	\$ 28,940
Public Works	1,766,613	1,530,579	236,034
Culture and Recreation	2,005,548	1,993,713	11,835
Community and Economic Development	876,882	900,516	(23,634)
General Government	1,432,079	1,317,660	114,419
Debt Service	1,073,596	1,073,495	101
Capital Projects	5,882,470	4,205,733	1,676,737
Business Type/Enterprise	64,710,007	48,237,552	16,472,455
Total	\$ 80,750,066	\$ 62,233,179	\$ 18,516,887

Budget results were all favorable in the current year with one exception. Community and Economic Development were over budget due to a payment to Renaissance Restoration, Inc. on the Downtown CDBG Project which was paid at the end of the fiscal year. The City made one budget amendment during the year and the budgeted amounts to actual results were very comparable. The two functions with material variances were the Capital Projects and business-type functions. Both the business-type variance and Capital Projects Variance were due to timing differences, where projects were budgeted, but expenses had not yet been incurred on them.

CAPITAL ASSETS

The City's investment in capital assets, including land, buildings and improvements, equipment, streets, storm sewer systems, traffic signals and other infrastructure represents the value of the resources utilized to provide services to our citizens. The net investment in capital assets as of June 30, 2015, was \$53,208,685 (net of accumulated depreciation and outstanding financings). The gross additions to capital assets for Fiscal 2015 are as follows:

	General Governmental Activities		Business-Type Activities		Totals	
	2015	2014	2015	2014	2015	2014
Infrastructure	\$ 1,090,185	\$ 139,984	\$20,459,668	\$ 141,945	\$21,549,853	\$ 281,929
Buildings	2,614,049	388,421	253,956	-	2,868,005	388,421
Improvements -						
Other than Buildings	998,733	701,319	825,119	-	1,823,852	701,319
Equipment	894,186	347,680	390,243	248,886	1,284,429	596,566
Construction in Progress	2,826,265	566,025	2,800,240	18,722,552	5,626,505	19,288,577
Total Gross Additions	\$8,423,418	\$ 2,143,429	\$24,729,226	\$19,113,383	\$33,152,644	\$21,256,812

Construction in Progress at June 30, 2015 for the governmental activities consisted of costs associated with numerous street and infrastructure additions and improvements.

For Business-Type Activities, the Construction in progress at June 30, 2015 consisted of costs associated with the water main extension and sanitary sewer improvements.

See Note 6 to the financial statements for more information on the City's capital assets.

DEBT ADMINISTRATION

At year-end the City had \$30,740,000 of debt outstanding. This is a decrease of \$278,702 from the prior year. This decrease is the result of the normal annual debt amortization, and the new Wastewater Treatment Plant debt issued during fiscal year 2015.

The City continues to operate well under State debt capacity limitations. The State limits the amount of General Obligation Debt outstanding to 5% of the assessed value of all taxable property in the community. The City's debt capacity is \$35,476,088. With outstanding General Obligation Debt applicable to this limit of \$4,960,000 less amounts available for debt service of \$724,868, we are utilizing approximately 12% of this limit. More detailed information on debt administration is provided in Note 7 of the financial statements.

ECONOMIC FACTORS

City of Le Mars economy continues to be strong as is evidenced by expansions and/or new construction of many businesses and industries, including the following: (Each began in FY 2014 and continued through most of FY 2015)

- Wells Enterprises North Ice Cream Plant Addition
- Van's Sanitation Recycling Center
- Total Sales and Service Body Shop
- WIT Industrial Arts Center
- Dean Foods Additions
- Floyd Valley Hospital North Addition
- Bo Deans Rail Transload Facility
- BoDeans Warehouse Facility

Many residential properties expanded with additions to existing structures. New housing starts included twenty five (25) single family units. The Housing Tax Exemption Program was utilized effectively.

Construction was completed for the \$21 million expansion of the Wastewater Treatment Plant.

Construction was completed for the \$2.0 million Public Works Department Building.

Construction was completed for the \$200,000 Golf Cart Storage and Maintenance Building.

Construction continued for the \$3.5 million Water Tower and Booster Station Project.

Construction continued for the Le Mars Industrial Park 3rd Addition along 27th Street SW, including water main and sanitary sewer improvements.

City began extensive planning and assistance to LBIC to develop and construct an Ethanol Transload Facility in the Industrial Park.

City obtained Federal approval of Class III Railroad designation and contracted rail operations to Burlington Junction.

City began a multiple year Community Betterment Program No. 2 to improve Quality of Life Venues in Le Mars.

City encouraged creation of the Le Mars Area Betterment Foundation (a 501(C)3 organization) to solicit funds and provide funding to the Quality of Life Improvements when proposed.

The City of Le Mars continues to be fortunate to have several public/private partnerships to assist with its growth.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, investors, and creditors with a general overview of the City's finances and to demonstrate the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Finance Department at 712-546-7018.

CITY OF LE MARS, IOWA
STATEMENT OF NET POSITION
JUNE 30, 2015

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	Floyd Valley Hospital
ASSETS				
Cash and Cash Equivalents	\$ 5,452,847	\$ 7,487,930	\$ 12,940,777	\$ 9,065,105
Investments	151,066	-	151,066	-
Receivables (Net, where applicable, of allowance for uncollectibles)				
Accounts	120,579	458,401	578,980	3,736,155
Taxes	19,883	-	19,883	-
Subsequent Year Taxes	9,331,373	-	9,331,373	-
Accrued Interest	74	-	74	-
Other	-	-	-	172,366
Estimated Unbilled Usage	-	470,005	470,005	-
Special Assessments	166,024	-	166,024	-
Notes Receivable	582,694	-	582,694	-
Internal Balances	117,969	(117,969)	-	-
Due from Other Governmental Agencies	400,902	-	400,902	-
Inventories	-	274,579	274,579	416,528
Land Held for Resale	178,771	-	178,771	-
Prepaid Assets	55,304	40,048	95,352	281,739
Other	-	-	-	1,170,185
Restricted Assets:				
Cash and Cash Equivalents	-	109,067	109,067	567,047
Investments	-	-	-	6,837,367
Accrued Interest Receivable	-	-	-	10,720
Land	1,335,137	1,476,059	2,811,196	165,160
Construction in Progress	1,776,159	3,884,233	5,660,392	10,014,180
Infrastructure, Property and Equipment, Net of Accumulated Depreciation	29,421,837	46,614,325	76,036,262	9,643,687
Total Assets	49,110,719	60,696,678	109,807,397	42,100,239
Deferred Outflows of Resources				
Pension related deferred outflows	668,293	108,436	776,729	1,404,809
Total Deferred Outflows of Resources	668,293	108,436	776,729	1,404,809
LIABILITIES				
Accounts Payable	360,734	939,537	1,300,271	4,594,701
Accrued Wages	162,280	42,390	204,670	1,543,642
Accrued Interest	8,896	58,837	67,735	9,408
Accrued Expenses	133,014	-	133,014	580,637
Payables from Restricted Assets:				
Customer Deposits	-	36,373	36,373	-
Noncurrent Liabilities:				
Due within one year:				
Revenue Bonds Payable	-	1,760,000	1,760,000	-
General Obligation Bonds	1,015,000	280,000	1,295,000	-
Notes Payable	-	34,000	34,000	-
Capital Lease	61,676	16,040	77,716	-
Compensated Absences and Benefits	163,035	48,209	211,244	-
Due in more than one year:				
Revenue Bonds Payable	-	23,937,585	23,937,585	11,445,889
General Obligation Bonds	3,296,007	373,983	3,669,990	-
Notes Payable	-	1,068,654	1,068,654	-
Capital Lease	171,709	60,826	232,535	-
Compensated Absences and Benefits, Long-Term	652,139	144,626	796,765	-
Net OPEB Liability	94,203	-	94,203	-
Net Pension Liability	2,196,195	389,543	2,585,738	6,796,303
Total Liabilities	8,314,890	29,190,603	37,505,493	24,970,580
Deferred Inflows of Resources				
Unavailable Revenue:				
Subsequent Year Property Taxes	9,331,373	-	9,331,373	-
Pension related deferred inflows	1,083,015	202,988	1,286,003	2,647,247
Total Deferred Inflows of Resources	10,414,388	202,988	10,617,376	2,647,247
NET POSITION				
Net investment in capital assets	28,765,156	24,443,529	53,208,685	6,397,138
Restricted for:				
Specific Revenues	81,482	-	81,482	91,211
Debt Service	715,970	50,230	766,200	-
TIF	1,030,587	-	1,030,587	-
Road Use Tax	846,251	-	846,251	-
Local Option Sales Tax	258,059	-	258,059	-
Endowments:				
Nonexpendable	151,066	-	151,066	-
Unrestricted	(798,837)	6,917,764	6,118,927	7,398,872
Total Net Position	\$ 31,049,734	\$ 31,411,523	\$ 62,461,257	\$ 15,887,221

CITY OF LE MARS, IOWA
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2015

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government:				
Governmental Activities:				
Public Safety	\$ 2,528,993	\$ 636,889	\$ 145,330	\$ 4,250
Public Works	3,766,856	7,003	1,046,955	92,494
Culture and Recreation	2,146,189	668,359	18,126	169,433
Community and Economic Development	1,465,297	14,730	250,501	115,342
General Government	1,169,285	304,307	11,124	-
Interest Expense	78,131	-	-	-
Total governmental activities	11,154,751	1,631,288	1,472,036	381,519
Business-Type Activities:				
Golf Course	493,212	358,876	-	-
Water System	1,707,561	2,011,650	-	202,000
Sewer System	3,635,342	4,345,286	-	-
Solid Waste System	670,331	594,994	-	-
Storm Sewer System	76,298	215,066	-	-
Total Business-Type Activities	6,582,744	7,525,872	-	202,000
Total Primary Government	17,737,495	9,157,160	1,472,036	583,519
Component Unit:				
Floyd Valley Hospital	\$ 33,500,042	\$ 35,218,828	\$ -	\$ 1,142,487

General Revenues:
Property taxes
Local Option Sales Tax
Hotel/Motel Taxes
Interest
Use of Property
Gain on Sale of Assets
Refunds and Reimbursements
Miscellaneous
Sale of non-capitalized Assets
Interfund Transfers
Total general revenues and transfers

Change in net position

Net position - beginning
Prior Period Adjustment
Net position - beginning, as restated

Net position - ending

Net (Expense) Revenue and Changes in Net Position			Component Unit Floyd Valley Hospital
Governmental Activities	Business-Type Activities	Total	
\$ (1,742,524)		\$ (1,742,524)	
(2,620,404)		(2,620,404)	
(1,290,271)		(1,290,271)	
(1,084,724)		(1,084,724)	
(853,854)		(853,854)	
(78,131)		(78,131)	
<u>(7,669,908)</u>		<u>(7,669,908)</u>	
	\$ (134,336)	(134,336)	
	506,089	506,089	
	709,944	709,944	
	(75,337)	(75,337)	
	<u>138,768</u>	<u>138,768</u>	
	<u>1,145,128</u>	<u>1,145,128</u>	
<u>(7,669,908)</u>	<u>1,145,128</u>	<u>(6,524,780)</u>	
			<u>\$ 2,861,273</u>
7,684,436	-	7,684,436	-
964,223	-	964,223	-
147,147	-	147,147	-
49,222	6,760	55,982	49,828
3,780	-	3,780	60,539
-	9,647	9,647	-
68,001	101,087	169,088	-
252,618	-	252,618	1,200
17,479	4,256	21,735	-
(353,358)	353,358	-	-
<u>8,833,548</u>	<u>475,108</u>	<u>9,308,656</u>	<u>111,567</u>
1,163,640	1,620,236	2,783,876	2,972,840
32,761,771	30,316,356	63,078,127	21,488,374
<u>(2,875,677)</u>	<u>(525,069)</u>	<u>(3,400,746)</u>	<u>(8,573,993)</u>
<u>29,886,094</u>	<u>29,791,287</u>	<u>59,677,381</u>	<u>12,914,381</u>
<u>\$ 31,049,734</u>	<u>\$ 31,411,523</u>	<u>\$ 62,461,257</u>	<u>\$ 15,887,221</u>

See Accompanying Notes to Financial Statements

CITY OF LE MARS, IOWA
BALANCE SHEET
Governmental Funds
JUNE 30, 2015

	General	TIF	Debt Service	Capital Project Building Improvements	Other Governmental Funds	Total Governmental Funds
Assets						
Cash and Pooled Investments	\$ 1,248,081	\$ 525,682	\$ 724,026	\$ -	\$ 2,196,478	\$ 4,694,267
Investments	-	-	-	-	151,066	151,066
Receivables (Net, where applicable, of allowance for uncollectibles)						
Accounts	90,901	-	936	3,420	675	95,932
Taxes	16,693	2,025	-	-	1,165	19,883
Subsequent Year Taxes	3,844,839	4,540,674	343,977	-	601,883	9,331,373
Accrued Interest	74	-	-	-	-	74
Special Assessments	18,370	-	-	-	147,654	166,024
Notes Receivable	154,895	-	-	-	427,799	582,694
Due from Other Funds	507,286	-	-	-	-	507,286
Due from Other Governmental Agencies	131,186	-	-	-	269,716	400,902
Land Held for Resale	178,771	-	-	-	-	178,771
Total Assets	6,191,096	5,068,381	1,068,939	3,420	3,796,436	16,128,272
Liabilities						
Liabilities:						
Accounts Payable	314,868	-	-	-	25,572	340,440
Accrued Wages	162,280	-	-	-	-	162,280
Due to Other Funds	-	-	-	170,469	218,848	389,317
Total Liabilities	477,148	-	-	170,469	244,420	892,037
Deferred Inflows of Resources						
Unavailable Revenue-						
Subsequent Year Property Taxes	3,844,839	4,540,674	343,977	-	601,883	9,331,373
Delinquent Property Tax	1,190	1,037	94	-	89	2,410
Special Assessment	18,370	-	-	-	145,039	163,409
Total Deferred Inflows of Resources	3,864,399	4,541,711	344,071	-	747,011	9,497,192
Fund Balances:						
Nonspendable:						
Notes Receivable	154,895	-	-	-	427,799	582,694
Assets Held for Resale	178,771	-	-	-	-	178,771
Perpetual Care	-	-	-	-	151,066	151,066
Restricted for:						
Debt Service	-	-	724,868	-	-	724,868
Road Surface Repairs	-	-	-	-	846,251	846,251
Employee Benefits	-	-	-	-	59,005	59,005
Tax Increment Financing	-	526,670	-	-	503,917	1,030,587
Law Enforcement	-	-	-	-	7,952	7,952
Local Option Sales Tax	-	-	-	-	258,059	258,059
Tree Farm	-	-	-	-	14,525	14,525
Assigned for:						
Capital Improvement	-	-	-	-	613,096	613,096
Unassigned	1,515,883	-	-	(167,049)	(76,665)	1,272,169
Total Fund Balances (Deficits)	1,849,549	526,670	724,868	(167,049)	2,805,005	5,739,043
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 6,191,096	\$ 5,068,381	\$ 1,068,939	\$ 3,420	\$ 3,796,436	\$ 16,128,272

See Accompanying Notes to Financial Statements

CITY OF LE MARS, IOWA
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
For the Year Ended June 30, 2015

Amounts reported for Governmental Activities in the Statement of Net Position are different because:

Total Fund Balance - Governmental Funds (page 19)	\$	5,739,043
Infrastructure, property, and equipment used in governmental activities are not financial resources and, therefore, are not reported in the funds		32,533,233
The internal service fund is used by management to fund and maintain the City's health insurance provided to user departments and is included in the statement of net position.		535,716
Deferred revenues that provide current financial resources for governmental activities.		165,819
Accrued expenses from the balance sheet that require current financial resources for governmental activities.		(8,898)
Prepaid expenses that are reported in the governmental activities but not reported in the funds as they do not provide current economic resources.		55,304

Pension related deferred outflows of resources and deferred inflows of resources are not due and payable in the current year and, therefore, are not reported in the governmental funds, as follows:

Deferred outflows of resources	\$	668,293	
Deferred inflows of resources		(1,083,015)	(414,722)

Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.

General Obligation Bonds	4,311,007	
Capital Lease	233,385	
Compensated Absences	815,174	
Net Pension Liability	2,196,195	(7,555,761)

Total Net Position - Governmental Activities (page 16)	\$	31,049,734
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CITY OF LE MARS, IOWA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
Governmental Funds
For the Year Ended June 30, 2015

	General	TIF
Revenue:		
Taxes	\$ 3,913,018	\$ 2,697,398
Other City Taxes	147,147	-
Special Assessments	-	-
Licenses and Permits	139,287	-
Intergovernmental Revenue	471,785	-
Charges for Services	950,207	-
Fines and Forfeits	67,316	-
Contributions	82,201	-
Refunds/Reimbursements	137,833	-
Rental Income	296,418	-
Interest	40,865	1,725
Miscellaneous	80	-
Total Revenue	<u>6,246,157</u>	<u>2,699,123</u>
Expenditures:		
Public Safety	3,081,040	-
Public Works	855,581	-
Culture and Recreation	2,042,743	-
Community and Economic Development	781,798	6,739
General Government	1,376,233	-
Capital Outlay	28,792	-
Debt Service	-	-
Total Expenditures	<u>8,166,187</u>	<u>6,739</u>
Excess (deficiency) of revenues over expenditures	<u>(1,920,030)</u>	<u>2,692,384</u>
Other financing sources (uses):		
Issuance of Capital Lease	21,061	-
Proceeds from Sale of Non-Capitalized Assets	17,479	-
Transfers In	1,535,551	-
Transfers Out	(683)	(3,444,514)
Total other financing sources (uses)	<u>1,573,408</u>	<u>(3,444,514)</u>
Net Change in Fund Balance	(346,622)	(752,130)
Fund balances (deficits)-beginning of year	2,196,171	1,278,800
Fund balances (deficits)- end of year	<u>\$ 1,849,549</u>	<u>\$ 526,670</u>

See Accompanying Notes to Financial Statements

Debt Service	Capital Project Building Improvements	Other Governmental Funds	Total Governmental Funds
\$ 306,146	\$ -	\$ 771,376	\$ 7,687,938
-	-	-	147,147
-	-	53,862	53,862
-	-	-	139,287
7,803	-	2,233,122	2,712,710
-	-	2,772	952,979
-	-	-	67,316
-	3,844	112,655	198,700
-	-	28,630	166,463
-	-	3,780	300,198
1,272	-	4,701	48,563
-	1,032	-	1,112
315,221	4,876	3,210,898	12,476,275
-	-	281,402	3,362,442
-	-	581,936	1,437,517
-	-	-	2,042,743
-	-	454,324	1,242,861
-	-	21,758	1,397,991
-	2,278,497	1,621,872	3,929,161
1,073,495	-	-	1,073,495
1,073,495	2,278,497	2,961,292	14,486,210
(758,274)	(2,273,621)	249,606	(2,009,935)
-	-	-	21,061
-	-	-	17,479
517,030	1,733,031	290,000	4,075,612
-	-	(773,525)	(4,218,722)
517,030	1,733,031	(483,525)	(104,570)
(241,244)	(540,590)	(233,919)	(2,114,505)
966,112	373,541	3,038,924	7,853,548
\$ 724,868	\$ (167,049)	\$ 2,805,005	\$ 5,739,043

See Accompanying Notes to Financial Statements

CITY OF LE MARS, IOWA
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2015

Amounts reported for governmental activities in the statement of activities are different because:

Net change in fund balances - total governmental funds (page 22)	\$ (2,114,505)
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Governmental funds report capital outlays, including infrastructure, as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. Depreciation expense Capital outlay expenditures exceeded depreciation expense in the current year as follows:

Expenditures for capital assets	\$ 4,263,696	
Depreciation expense	<u>(2,561,385)</u>	1,702,311

Revenues reported in the funds that are not available to provide current financial resources:	(21,824)
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Prepaid insurance is not reported in the governmental funds as it is not available to provide current financial resources:	4,053
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Accrued interest expense that does not require current financial resources:	206
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Long-term accrual of compensated absences is not reported in the governmental funds as it does not consume current financial resources. The net change in the long-term compensated absences for the year was:	76,080
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Internal service funds are used by management to fund and maintain the City's insurance policies provided to user departments and are included in the statement of net assets. The net revenue of the internal service funds is reported with governmental activities:	199,819
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The current year City employer share of IPERS contributions are reported as expenditures in the governmental funds, but are reported as a deferred outflow of resources in the Statement of Net Position.	465,950
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The effect of bond premiums and discounts are shown in the governmental funds when new debt is issued, whereas, these amounts are deferred and amortized in the Statement of Activities:	157
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Capital Leases are shown as providing current financial resources to the governmental funds. The statement of activities does not reflect the proceeds from the issuance of a capital lease. The proceeds from the issuance of a capital lease for the year was:	(21,061)
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The repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position. The principal paid on long-term debt during the current year was as follows:

Bonds payable	\$995,000	
Pension Expense	(201,189)	
Lease obligations payable	<u>78,643</u>	<u>\$872,454</u>

Change in net net position of governmental activities (page 18)	<u>\$ 1,163,640</u>
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CITY OF LE MARS, IOWA
COMBINING STATEMENT OF NET POSITION
Proprietary Funds
JUNE 30, 2015

	Business Type Activities	
	Water System	Sewer System
ASSETS		
Current Assets:		
Cash and Cash Equivalents	\$ 3,668,151	\$ 3,312,353
Receivables (Net, where applicable, of allowance for uncollectibles)		
Accounts	37,608	396,379
Estimated Unbilled Usage	156,529	269,339
Inventories	274,579	-
Prepaid Assets	9,535	28,606
Total Current Assets	<u>4,146,402</u>	<u>4,006,677</u>
Noncurrent Assets:		
Restricted Assets:		
Cash and Cash Equivalents	55,666	53,401
Land	174,357	1,011,164
Construction in Progress	3,583,617	150,412
Infrastructure, Property and Equipment, Net of Accumulated Depreciation	10,481,297	32,135,215
Total Noncurrent Assets	<u>14,294,937</u>	<u>33,350,192</u>
Total Assets	<u>18,441,339</u>	<u>37,356,869</u>
Deferred Outflows of Resources		
Pension related deferred outflows	43,016	65,420
	<u>43,016</u>	<u>65,420</u>
LIABILITIES		
Current Liabilities:		
Accounts Payable	813,257	62,505
Accrued Wages	16,926	25,464
Accrued Revenue Bond Interest	6,914	51,923
Accrued Expenses	-	-
Due to Other Funds	-	-
Payables from Restricted Assets:		
Customer Deposits	36,373	-
Revenue Bonds Payable- Current	600,000	1,160,000
General Obligation Bonds- Current	-	280,000
Notes Payable	34,000	-
Capital Lease- Current	7,862	-
Compensated Absences and Benefits	28,066	20,143
Total Current Liabilities	<u>1,543,398</u>	<u>1,600,035</u>
Noncurrent Liabilities:		
Due in more than one year:		
Revenue Bonds Payable	3,659,504	20,278,081
General Obligation Bonds	-	373,983
Notes Payable	1,068,654	-
Capital Lease	43,377	-
Compensated Absences and Benefits	84,198	60,428
Net OPEB Liability	-	-
Net pension liability	154,529	235,014
Total Noncurrent Liabilities	<u>5,010,262</u>	<u>20,947,506</u>
Total Liabilities	<u>6,553,660</u>	<u>22,547,541</u>
Deferred Inflows of Resources		
Pension related deferred inflows	80,524	122,464
	<u>80,524</u>	<u>122,464</u>
NET POSITION		
Net investment in capital assets	8,825,874	11,204,727
Restricted for:		
Debt Service	48,752	1,478
Unrestricted	2,975,545	3,546,079
Total Net Position	<u>\$ 11,850,171</u>	<u>\$ 14,752,284</u>

See Accompanying Notes to Financial Statements

Business Type Activities		Governmental
Nonmajor		Activities
Enterprise		Internal
Funds	Total	Service
\$ 507,426	\$ 7,487,930	\$ 758,580
24,414	458,401	24,647
44,137	470,005	-
-	274,579	-
1,907	40,048	-
577,884	8,730,963	783,227
-	109,067	-
290,538	1,478,059	-
150,204	3,884,233	-
3,997,813	46,614,325	-
4,438,555	52,083,884	-
5,016,439	60,814,647	783,227
-	108,436	-
-	108,436	-
63,775	939,537	20,294
-	42,390	-
-	58,837	-
-	-	133,014
117,969	117,969	-
-	-	-
-	36,373	-
-	1,760,000	-
-	280,000	-
-	34,000	-
8,178	16,040	-
-	48,209	-
189,922	3,333,355	153,308
-	23,937,585	-
-	373,983	-
-	1,068,654	-
17,449	60,826	-
-	144,626	-
-	-	94,203
-	389,543	-
17,449	25,975,217	94,203
207,371	29,308,572	247,511
-	202,988	-
-	202,988	-
4,412,928	24,443,529	-
-	50,230	-
396,140	6,917,764	535,716
\$ 4,809,068	\$ 31,411,523	\$ 535,716

See Accompanying Notes to Financial Statements

CITY OF LE MARS, IOWA
COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
Proprietary Funds
For the Year Ended June 30, 2015

	Business Type Activities	
	Water System	Sewer System
Operating Revenues:		
Charges for Services	\$ 1,966,479	\$ 4,345,286
Total Operating Revenue	<u>1,966,479</u>	<u>4,345,286</u>
Operating Expenses:		
Employee Services	528,318	787,852
Contract Services	21,137	260,933
Supplies	148,795	179,220
Repairs and Improvements	96,433	113,215
Utilities	171,356	357,657
Miscellaneous	2,846	8,359
Depreciation	653,355	1,315,792
Amortization	3,764	-
Total Operating Expenses	<u>1,626,004</u>	<u>3,023,028</u>
Operating Income	340,475	1,322,258
Non-Operating Income (Expense):		
Interest Income	3,686	3,074
Refunds and Reimbursements	12,516	59,059
Sale of Uncapitalized Assets	4,256	-
Gain on Disposal of Capital Assets	-	9,647
Revenue from Use of Property	45,171	-
Interest Expense	(81,557)	(612,314)
Intergovernmental Revenue	202,000	-
Total Non-Operating Income (Expenses)	<u>186,072</u>	<u>(540,534)</u>
Income Before Transfers and Contributions	526,547	781,724
Contributed Capital Revenue	-	-
Transfers In	295,894	429,415
Transfers (Out)	<u>(273,523)</u>	<u>(303,523)</u>
Change in Net Position	548,918	907,616
Net Position - Beginning	11,509,544	14,161,446
Prior Period Adjustment	(208,291)	(316,778)
Net Position - Beginning, as restated	<u>11,301,253</u>	<u>13,844,668</u>
Net Position - Ending	<u>\$ 11,850,171</u>	<u>\$ 14,752,284</u>

See Accompanying Notes to Financial Statements

Business Type Activities		Governmental
Nonmajor		Activities
Enterprise		Internal
Funds	Total	Service
\$ 1,168,936	\$ 7,480,701	\$ 910,531
1,168,936	7,480,701	910,531
-	1,316,170	-
718,596	1,000,666	-
99,469	427,484	-
54,527	264,175	-
18,799	547,812	-
109,685	120,890	1,151,482
237,656	2,206,803	-
-	3,764	-
1,238,732	5,887,764	1,151,482
(69,796)	1,592,937	(240,951)
-	6,760	659
29,512	101,087	440,111
-	4,256	-
-	9,647	-
-	45,171	-
(1,109)	(694,980)	-
-	202,000	-
28,403	(326,059)	440,770
(41,393)	1,266,878	199,819
210,248	210,248	-
100,000	825,309	-
(105,153)	(682,199)	-
163,702	1,620,236	199,819
4,645,366	30,316,356	335,897
-	(525,069)	-
4,645,366	29,791,287	335,897
\$ 4,809,068	\$ 31,411,523	\$ 535,716

See Accompanying Notes to Financial Statements

CITY OF LE MARS, IOWA
COMBINING STATEMENT OF CASH FLOWS
Proprietary Funds
For the Year Ended June 30, 2015

	Business Type Activities	
	Water System	Sewer System
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash Received from Customers	\$ 1,985,081	\$ 4,116,631
Cash Paid to Suppliers for Goods and Services	(408,351)	(895,396)
Cash Paid to Employees for Services	(552,133)	(810,859)
Other Nonoperating Income	263,943	59,059
Net Cash Provided by Operating Activities	<u>1,288,540</u>	<u>2,469,435</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Acquisition and Construction of Capital Assets	(1,799,157)	(2,187,686)
Proceeds from the Sale of Assets	-	9,647
Proceeds from Issuance of Bonds	1,038,325	2,721,298
Principal Paid on Notes and Bonds	(830,000)	(1,410,000)
Interest Paid on Notes and Bonds	(80,645)	(610,785)
Net Cash (Used) for Capital and Related Financing Activities	<u>(1,671,477)</u>	<u>(1,477,526)</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:		
Transfers From (To) Other Funds	22,371	125,892
Due (To) Other Funds	-	-
Net Cash Provided by Non-Capital Financing Activities	<u>22,371</u>	<u>125,892</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Interest and Dividends on Investments	3,686	3,074
Net Cash Provided from Investing Activities	<u>3,686</u>	<u>3,074</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(356,880)	1,120,875
Cash and Cash Equivalents at Beginning of Year	<u>4,080,697</u>	<u>2,244,879</u>
Cash and Cash Equivalents at End of Year	<u>\$ 3,723,817</u>	<u>\$ 3,365,754</u>

See Accompanying Notes to Financial Statements

Business Type Activities		Governmental
Nonmajor Enterprise Funds	Total	Activities Internal Service
\$ 1,176,626	\$ 7,278,338	\$ 906,985
(1,028,978)	(2,332,725)	(1,119,582)
-	(1,362,992)	-
29,512	352,514	440,111
177,160	3,935,135	227,514
(361,831)	(4,348,674)	-
-	9,647	-
-	3,759,623	-
-	(2,240,000)	-
(1,109)	(692,539)	-
(362,940)	(3,511,943)	-
(5,153)	143,110	-
100,258	100,258	-
95,105	243,368	-
-	6,760	659
-	6,760	659
(90,675)	673,320	228,173
598,101	6,923,677	530,407
\$ 507,426	\$ 7,596,997	\$ 758,580

See Accompanying Notes to Financial Statements

CITY OF LE MARS, IOWA
COMBINING STATEMENT OF CASH FLOWS (Continued)
Proprietary Funds
For the Year Ended June 30, 2015

	Business Type Activities	
	Water System	Sewer System
Reconciliation of Operating Income to Net Cash Provided by Operating Activities		
Operating Income	\$ 340,475	\$ 1,322,258
Adjustments to Reconcile Net Operating Income to Net Cash Provided by Operating Activities:		
Depreciation	653,355	1,315,792
Amortization	3,764	(441)
Miscellaneous Non-Operating Income	263,943	59,059
(Increase) Decrease in Assets:		
Accounts Receivable	92,195	(204,992)
Estimated Unbilled Usage	(73,593)	(23,663)
Prepaid Expenses	227	(10,709)
Inventories	32,681	-
Due From Other Government	-	-
Deferred Outflows of Resources	(11,907)	(18,107)
Increase (Decrease) in Liabilities		
Accounts Payable	1,620	35,138
Accrued Wages and Compensated Absences	(7,560)	1,713
Accrued Expenses	6,238	-
Capital Lease Payable	(8,550)	-
Customer Deposits	-	-
Net Pension Liability	(84,872)	(129,077)
Deferred Inflows of Resources	80,524	122,464
Total Adjustments	948,065	1,147,177
Net Cash Provided by Operating Activities	1,288,540	2,469,435

Supplemental Schedule of Noncash Capital and Related Financing Activities:

Contributed Capital	\$ -	\$ -
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Reconciliation of Cash and Cash Equivalents to the Balance Sheet:

Cash and Cash Equivalents	3,668,151	3,312,353
Restricted Cash and Cash Equivalents	55,666	53,401
	\$ 3,723,817	\$ 3,365,754

Nonmajor Enterprise Funds	Total	Governmental Activities
		Internal Service
\$ (69,796)	\$ 1,592,937	\$ (240,951)
237,656	2,206,803	-
-	3,323	-
29,512	352,514	440,111
7,899	(104,898)	(3,546)
(9,610)	(106,866)	-
534	(9,948)	-
-	32,681	-
13,751	13,751	-
(4,350)	(4,350)	-
-	(30,014)	-
5,384	42,142	8,224
-	(5,847)	37,335
-	6,238	(13,659)
(33,820)	(42,370)	-
-	(213,949)	-
-	202,988	-
246,956	2,342,198	468,465
177,160	3,935,135	227,514
\$ 210,248	\$ 210,248	\$ -
507,426	7,487,930	758,580
-	109,067	-
\$ 507,426	\$ 7,596,997	\$ 758,580

See Accompanying Notes to Financial Statements

CITY OF LE MARS, IOWA
STATEMENT OF FIDUCIARY NET POSITION
Agency Funds
JUNE 30, 2015

ASSETS

Cash and Pooled Investments	\$	8,990
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Total Assets		<u>8,990</u>
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LIABILITIES

Accounts Payable		<u>8,990</u>
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Total Liabilities		<u>8,990</u>
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NET POSITION

Unrestricted		<u>-</u>
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Total Net Position	\$	<u><u>8,990</u></u>
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CITY OF LE MARS, IOWA
Notes to Financial Statements
June 30, 2015

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Le Mars, Iowa is a political subdivision of the State of Iowa located in Plymouth County, and was incorporated in 1881, under the laws of the State of Iowa, later amended in 1974 under the Home Rule City Act. The City operates under a Mayor-Council form of government with an appointed administrator and finance director and administers the following programs as authorized by its charter: public safety, public works, health and social services, culture and recreation, community and economic development and general government services. The City also has municipal water and sewer utility systems, which are governed by the City Council.

The City's financial statements have been prepared in conformity with U.S. generally accepted accounting principles (GAAP) as prescribed by the Governmental Accounting Standards Board.

A. Reporting Entity

For financial reporting purposes, the City of Le Mars, Iowa, has included all funds, organizations, agencies, boards, commissions and authorities. The City has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the City's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the City to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the City.

These financial statements present the City of Le Mars, Iowa (the primary government) and its component unit. The component unit discussed below is included in the City's reporting entity because of the significance of its operational or financial relationship with the City. Complete financial statements of the individual component unit, which issued separate financial statements as noted below, can be obtained from its respective administrative office.

Discretely Presented Component Unit - The City established a municipal hospital, Floyd Valley Hospital, in 1966. The hospital's financial data is reported in a separate column to emphasize that it is legally separate from the City, but is financially accountable to the City and its operating budget is subject to the approval of the City Council.

Jointly Governed Organizations - The City also participates in several jointly governed organizations for which the City is not financially accountable or that the nature and significance of the relationship with the City are such that exclusion does not cause the City's financial statements to be misleading or incomplete. City officials are members of the following Boards and Commissions: Plymouth County Assessors' Conference Board, Plymouth County Area Solid Waste Agency, Plymouth County Emergency Management Commission and the Plymouth County Joint E911 Service Board.

CITY OF LE MARS, IOWA
Notes to Financial Statements
June 30, 2015

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Basis of Presentation

Government-wide Financial Statements – The Statement of Net Position and the Statement of Activities report information on all of the nonfiduciary activities of the primary government and its component unit. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which are supported by property tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for services. The City's general, special revenue, debt service, capital projects and permanent funds are classified as governmental activities. The City's health insurance internal service fund is also classified as a governmental-type activity.

The Statement of Net Position presents the City's nonfiduciary assets and liabilities, with the difference reported as net position. Net position is reported in three categories.

Net investment in capital assets consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes and other debt attributable to the acquisition, construction or improvement of those assets.

Restricted net position results when constraints placed on net position use are either externally imposed or imposed by law through constitutional provisions or enabling legislation. The City first uses restricted resources when an expense is incurred for purposes for which both restricted and unrestricted assets are available.

Unrestricted net position consists of net position not meeting the definition of the two preceding categories. Unrestricted net position often have constraints on resources imposed by management which can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function and 2) grants, contributions and interest restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

The City does not allocate indirect costs. Certain expenses of the City are accounted for through the internal service fund on a cost-reimbursement basis.

This government-wide focus is more on the sustainability of the City as an entity and the change in the City's net assets resulting from the current year activities.

Fund Financial Statements – Separate financial statements are provided for governmental and proprietary funds. Major individual governmental and proprietary funds are reported

CITY OF LE MARS, IOWA
Notes to Financial Statements
June 30, 2015

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

as separate columns in the find financial statements. All remaining governmental funds are aggregated and reported as nonmajor governmental funds.

The City reports the following major governmental funds:

- 1) General Fund – The General Fund is the general operating fund of the City. It is used to account for all financial resources except those required to be accounted for in another fund. The sources of revenue include property taxes, charges for services, fines and fees, licenses and permits, as well as state and federal grants. The expenditures of the General Fund relate to general administration, police and fire protection, maintenance of public streets, economic development, and culture and recreation.
- 2) Special Revenue Fund - The TIF (Tax Incremental Financing Fund) is used to account for property taxes received to be expended for public improvements; construction of public infrastructure as well as economic development opportunities; incentives; sites; land; rebates; and grant agreements.
- 3) Debt Service Fund – The Debt Service Fund is used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest, and related costs.
- 4) Capital Projects – The Public Safety Building Improvements Fund accounts for public safety building improvements the City has in progress and any associated grant proceeds or other financing items.

The City reports the following major proprietary funds:

The Water Fund is used to account for the operation and maintenance of the City's water system.

The Sewer Fund is used to account for the operation and maintenance of the City's sewer system.

The City reports the following internal service fund:

The Health Insurance Fund is used to account for the funding and maintenance of the City's self-funded health insurance provided to City employees. Since the principal users of this internal service are the City's governmental activities, the financial statements of the health insurance internal service fund are consolidated into the governmental column when presented in the government-wide financial statements. To the extent possible, the cost of these services is reported in the appropriate functional activity.

The City reports the following fiduciary fund:

The Flex Account is an agency fund that is used to account for the City's cafeteria plan.

CITY OF LE MARS, IOWA
Notes to Financial Statements
June 30, 2015

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

C. Measurement Focus and Basis of Accounting

The government-wide and proprietary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days after year end.

Property tax, local option sales tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest are considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the City.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments and compensated absences are recognized as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt are reported as other financing sources.

Under terms of grant agreements, the City funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net position available to finance the program. It is the City's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants and then by general revenues.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of enterprise funds are charges to customers for sales and services. Operating expenses consist of cost of sales and services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

Internal Service Funds are used to account for the financing of goods or services provided by one department or agency to other departments or agencies of the City, or to other governments, on a cost-recovery basis. The City's internal service fund is presented in the proprietary fund financial statements.

CITY OF LE MARS, IOWA
Notes to Financial Statements
June 30, 2015

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

Fiduciary funds are used to report assets held in an agency or custodial capacity for others and therefore not available to support City programs. Since agency funds are custodial in nature, they do not involve the measurement of results of operations and are not incorporated into the government-wide financial statements.

The City maintains its financial records on the cash basis. The financial statements of the City are prepared by making memorandum adjusting entries to the cash basis financial records.

D. Assets, Liabilities, Deferred Inflows of Resources and Fund Equity

The following accounting policies are followed in preparing the financial statements:

Cash, Pooled Investments and Cash Equivalents – The cash balances of most City funds are pooled and invested. Interest earned on investments is recorded in the General Fund unless otherwise provided by law.

For purposes of the statement of cash flows, all short-term cash investments that are highly liquid (including restricted assets) are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and, at the day of purchase, have a maturity date no longer than three months.

Investments consist of the following:

<u>Type</u>	<u>Method</u>
<u>City</u> Nonnegotiable Certificates of Deposit	Cost
<u>Component Unit</u> Certificates of Deposit	Cost
U.S. Treasury Notes, State & Local Government Series	Fair Value Determined Based on Quoted Market Price By Current Share Prices
Debt Securities Negotiable Certificates of Deposit	Amortized Cost
Maturity of one year or less when purchased	Fair Value Based on Quoted Market Price
Maturity of more than one year when purchased	

Property Tax Receivable, Including Tax Increment Financing - Property tax, including tax increment financing, in governmental funds is accounted for using the modified accrual basis of accounting.

CITY OF LE MARS, IOWA
Notes to Financial Statements
June 30, 2015

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

Property tax receivable is recognized in these funds on the levy or lien date, which is the date the tax asking is certified by the City Council to the County Board of Supervisors. Current year delinquent property taxes receivable represents unpaid taxes from the current year. The succeeding year property tax receivable represents taxes certified by the City Council to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the City Council is required to certify its budget to the County Auditor by March 15 of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is presented as a deferred inflow and will not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized in these funds become due and collectible in September and March of the current fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2013 assessed property valuations; is for the tax accrual period July 1, 2014 through June 30, 2015 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in March 2014. Any county collections on the 2014-2015 tax levy remitted to the City within 60 days subsequent to June 30, 2015, are recorded as property tax revenue.

Customer Accounts and Unbilled Usage – Accounts receivable are recorded in the Enterprise Funds at the time the service is billed. Unbilled usage for service consumed between periodic scheduled billing dates is estimated and is recognized as revenue in the period in which the service is provided.

Due From and Due to Other Funds - During the course of its operations, the City has numerous transactions between funds. To the extent certain transactions between funds have not been paid or received as of June 30, 2015, balances of interfund amounts payable or receivable have been recorded in the fund financial statements. Any residual balances outstanding between governmental activities and business-type activities are reported in the government-wide financial statements as interfund balances.

Due From Other Governments – Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants and reimbursements from other governments.

Inventories - Inventories of the proprietary fund types are valued at cost, which approximates market, using the first-in/first-out (FIFO) method.

Restricted Assets – Funds set aside for payment of Enterprise Fund revenue notes are classified as restricted assets since their use is restricted by applicable note indentures. Other restricted assets include customer deposits restricted for application to unpaid customer accounts or for refund to customers.

Prepaid Items - Payments made to vendors for services that will benefit periods beyond June 30, 2015 are recorded as prepaid items.

CITY OF LE MARS, IOWA
Notes to Financial Statements
June 30, 2015

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

Capital Assets - Capital assets, which include property, equipment and vehicles and infrastructure assets (e.g. roads, bridges, curbs, gutters, sidewalks and similar items which are immovable and of value only to the government) are reported in the applicable governmental or business type activities columns in the government-wide Statement of Net Position and in the Proprietary Funds Statement of Net Position. Capital assets are recorded at historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation. The costs of normal maintenance and repair not adding to the value of the asset or materially extending asset lives are not capitalized. Reportable capital assets are defined by the City as assets with initial, individual costs in excess of \$1,000 and estimated useful lives in excess of two years. Depreciation expense is calculated using the straight-line method over the following useful lives:

Buildings	39 – 50 Years
Utility Plant	20 – 33 Years
Machinery & Equipment	3 - 20 Years
Infrastructure	15 – 70 Years

Deferred Inflows of Resources – In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflow of resources*, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The government has only one type of item that qualifies for reporting in this category. Accordingly, the item, *unavailable revenue*, is reported in the governmental funds financial statements and in the governmental activities of the government-wide financial statements. The governmental activities in the government-wide statements report unavailable revenues from subsequent year property taxes. The governmental funds report unavailable revenues from subsequent year property taxes, delinquent property taxes, notes receivable and special assessments. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

Deferred Outflows of Resources – Deferred outflows of resources represent a consumption of net position that applies to a future period(s) and will not be recognized as an outflow of resources (expense/expenditure) until then. Deferred outflows of resources consist of unrecognized items not yet charged to pension expense and contributions from the employer after the measurement date but before the end of the employer's reporting period.

Compensated Absences - City employees accumulate a limited amount of earned but unused vacation and sick-leave hours for subsequent use or for payment upon termination, death or retirement. A liability is recorded when incurred in the government-wide and proprietary fund financial statement. A liability for these amounts is reported in governmental fund financial statements only for employees that have resigned or retired. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2015. The compensated absences liability attributable to the governmental activities will be paid by the General Fund.

CITY OF LE MARS, IOWA
Notes to Financial Statements
June 30, 2015

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

Long-term Liabilities – In the government-wide and proprietary fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental or business type activities column in the Statement of Net Position and the proprietary fund Statement of Net Position.

In the governmental fund financial statements, the face amount of debt issued is reported as other financing sources. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Pensions – For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Iowa Public Employees' Retirement System and the Municipal Fire and Police Retirement System (Systems') and additions to / deductions from the Systems' fiduciary net position have been determined on the same basis as they are reported by the Systems'. For this purpose, the benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Fund Equity – In the governmental fund financial statements, fund balances are classified as follows:

Nonspendable – Amounts which cannot be spent either because they are in a nonspendable form or because they are legally or contractually required to be maintained intact.

Restricted – Amounts restricted to specific purposes when constraints placed on the use of the resources are either externally imposed by creditors, grantors or state or federal laws or imposed by law through constitutional provisions or enabling legislation.

Committed – Amounts which can be used only for specific purposes pursuant to constraints formally imposed by the City Council through ordinance or resolution approved prior to year end. Those committed amounts cannot be used for any other purpose unless the City Council removes or changes the specified use by taking the same action it employed to commit those amounts.

Assigned – Amounts the City intends to use for specific purposes that do not meet the criteria to be classified as restricted or committed.

Unassigned – All amounts not included in other spendable classifications.

Classifying Fund Balance Amounts – Fund balance amounts represent the nature of the net resources that are reported in a governmental fund. The City fund balance classifications include non-spendable resources, restricted, and non-restricted (committed, assigned and unassigned) amounts. When the City incurs an expenditure and both restricted and unrestricted amounts are available, the City considers restricted amounts to have been spent. When the City incurs an expenditure for an unrestricted amount, committed amounts are reduced first, followed by assigned amounts and then unassigned amounts for purposes in which any of those unrestricted fund balance classifications could be used. Management's policy is to first spend restricted net position then to spend from unrestricted net position.

CITY OF LE MARS, IOWA
Notes to Financial Statements
June 30, 2015

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

Interfund Transactions - Interfund services provided and used are accounted for as revenues, expenditures or expenses. Transactions that constitute reimbursements to a fund for expenditures/expenses initially made from it that are properly applicable to another fund are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures/expenses in the fund that is reimbursed.

All other interfund transactions, except interfund services provided and used transactions and reimbursements, are reported as transfers.

Landfill Closure Costs - The City is part of an Iowa Code Section 28F agreement with the Plymouth County Solid Waste Agency and, therefore, not required to account for landfill post closure costs.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2015, disbursements exceeded the amounts budgeted in the community and economic development function.

Note 2 - CASH AND CASH EQUIVALENTS AND INVESTMENTS

The City's deposits at June 30, 2015, were entirely covered by Federal Depository Insurance or letters of credit held by the City or by a multiple financial institution collateral pool in accordance with Chapter 12C of the Code of Iowa. Chapter 12C provides for additional assessments against the depositories to insure there will be no loss of public funds.

The City is authorized by statute to invest public funds in obligation of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the City Council; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

Deposits at June 30, 2015, are shown below:

	Primary Government	Component Unit	Agency Fund	Fair Value	Rating
Demand Deposits	\$ (316,820)	\$ 9,632,152	\$ 8,990	\$ 9,324,322	N/A
Savings Deposits	13,366,664	-	-	13,366,664	N/A
Time Deposits	151,066	6,837,367	-	6,988,433	N/A
	<u>\$ 13,200,910</u>	<u>\$16,469,519</u>	<u>\$ 8,990</u>	<u>\$29,679,419</u>	

Interest rate risk - The City's investment policy limits the investment of operating funds (funds expected to be expended in the current budget year or within 15 months of receipt) in instruments that mature within 397 days. Funds not identified as operating funds may be invested in investments with maturities longer than 397 days but the maturities shall be consistent with the needs and use of the City.

Custodial Credit Risk - The City has no policy regarding custodial credit risk and deposits with financial institutions, however, deposits are insured by the state sinking fund, which provides for additional assessments against depositories to avoid loss of public funds.

CITY OF LE MARS, IOWA
Notes to Financial Statements
June 30, 2015

Note 3 - RECEIVABLES

Receivables at June 30, 2015 are net of allowance for uncollectibles. The allowance for uncollectibles of the enterprise funds of the primary government was \$42,176 and the governmental funds of the primary government had an allowance of \$105,576 at June 30, 2015. The component unit had an allowance for uncollectibles of \$3,639,510 at June 30, 2015.

Note 4 - DUE FROM OTHER GOVERNMENTS

At June 30, 2015, amounts due from other governments were as follows:

Due from the Iowa Department of Transportation for road use tax allocations	\$ 101,035
Due from the State of Iowa for Community Development Block Grant	63,868
Due from the State of Iowa for local option sales taxes	158,305
Due from the State of Iowa for hotel and motel sales taxes	48,819
Due from Governor's Traffic Safety Bureau for police STEP grant	311
Due from the State of Iowa for other	16,667
Due from Plymouth County for other	1,521
Due from the Federal Aviation Administration for airport improvements	10,376
Total Due from Other Governments	<u>\$ 400,902</u>

Note 5 - INTERFUND RECEIVABLES AND PAYABLES

As of June 30, 2015, short-term interfund borrowings were as follows:

<u>Fund Due To</u>	<u>Fund Due From</u>	<u>Amount</u>
General	Public Safety Building Improvement Fund	\$ 170,469
General	Nonmajor Governmental Funds	218,848
General	Nonmajor Proprietary Funds	117,969
		<u>\$ 507,286</u>

The purpose of the interfund balances is to help finance short-term cash flow shortages of various funds.

CITY OF LE MARS, IOWA
Notes to Financial Statements
June 30, 2015

Note 6 - CAPITAL ASSETS

A summary of changes in capital assets is as follows:

Primary Government

	Balance July 1, 2014	Additions	Deletions	Balance June 30, 2015
Governmental Activities:				
Capital assets not being depreciated:				
Land	\$ 1,335,137	\$ -	\$ -	\$ 1,335,137
Construction in Progress	3,109,616	2,826,265	4,159,722	1,776,159
Total capital assets not being depreciated	4,444,753	2,826,265	4,159,722	3,111,296
Capital assets being depreciated:				
Buildings	9,805,308	2,614,049	-	12,419,357
Improvements	5,543,306	998,733	-	6,542,039
Equipment	5,641,296	894,186	324,210	6,211,272
Infrastructure	36,662,019	1,090,185	-	37,752,204
Total capital assets being depreciated	57,651,929	5,597,153	324,210	62,924,872
Less: Accumulated Depreciation for:				
Buildings	5,576,314	442,311	-	6,018,825
Improvements	3,244,320	266,565	-	3,510,885
Equipment	4,778,418	462,424	324,210	4,916,632
Infrastructure	17,666,708	1,390,085	-	19,056,793
Total Accumulated Depreciation	31,265,760	2,561,385	324,210	33,502,935
Total capital assets being depreciated, net	26,386,169	3,035,768	-	29,421,937
Governmental activities capital assets, net	\$ 30,830,922	\$ 5,862,033	\$ 4,159,722	\$ 32,533,233

Construction in progress at June 30, 2015, for the governmental activities consisted of costs associated with numerous street and infrastructure additions and improvements.

CITY OF LE MARS, IOWA
Notes to Financial Statements
June 30, 2015

Note 6 - CAPITAL ASSETS – (Continued)

	Balance July 1, 2014	Additions	Deletions	Balance June 30, 2015
Business-Type Activities:				
Capital assets not being depreciated:				
Land	\$ 1,476,059	\$ -	\$ -	\$ 1,476,059
Construction in Progress	22,207,926	2,800,240	21,123,933	3,884,233
Total capital assets not being depreciated	23,683,985	2,800,240	21,123,933	5,360,292
Capital assets being depreciated:				
Buildings	1,549,607	253,956	-	1,803,563
Improvements	4,018,905	825,119	-	4,844,024
Equipment	1,081,161	390,243	21,610	1,449,794
Utility Plant	42,928,719	20,459,668	-	63,388,387
Total capital assets being depreciated	49,578,392	21,928,986	21,610	71,485,768
Less: Accumulated Depreciation	22,686,250	2,206,803	21,610	24,871,443
Total capital assets being depreciated, net	26,892,142	19,722,183	-	46,614,325
Business-type activities capital assets, net	\$50,576,127	\$22,522,423	\$21,123,933	\$ 51,974,617

Construction in progress at June 30, 2015 consisted of costs associated with water main extensions, new water tower, new high speed pump and booster station, waste water treatment plant and storm sewer improvements.

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental Activities:	
Public Safety	\$ 326,638
Public Works	1,778,564
Culture and Recreation	179,157
Community and Economic Development	152,407
General Government	124,619
Total depreciation expense – governmental activities	<u>\$ 2,561,385</u>
Business-Type Activities:	
Water	\$ 653,355
Sewer	1,315,792
Golf Course	129,383
Storm Sewer	49,906
Solid Waste	58,367
Total depreciation expense – business-type activities	<u>\$ 2,206,803</u>

CITY OF LE MARS, IOWA
Notes to Financial Statements
June 30, 2015

Note 6 - CAPITAL ASSETS – (Continued)

A summary of changes in capital assets for the discretely presented component unit is as follows:

	Balance July 1, 2014	Additions	Deletions	Transfers	Balance June 30, 2015
Component Unit:					
Capital assets not being depreciated:					
Land	\$ 185,160	\$ -	\$ -	\$ -	\$ 185,160
Construction in Progress	5,945,151	5,379,348	733	(1,309,586)	10,014,180
Total capital assets not being depreciated	6,130,311	5,379,348	733	(1,309,586)	10,199,340
Capital assets being depreciated:					
Land Improvements	873,519	-	-	21,976	895,495
Buildings and Fixed Equipment	18,422,074	101,879	72,295	1,175,450	19,627,108
Major Movable Equipment	8,194,947	97,172	97,230	112,160	8,307,049
Intangible – Medical Records	252,633	-	-	-	252,633
Total capital assets being depreciated	27,743,173	199,051	169,525	1,309,586	29,082,285
Less: Accumulated Depreciation	18,182,934	1,394,556	138,892	-	19,438,598
Total capital assets being depreciated, net	9,560,239	(1,195,505)	30,633	1,309,586	9,643,687
Component unit capital assets, net	\$ 15,690,550	\$ 4,183,843	\$ 31,366	\$ -	\$ 19,843,027

Construction in progress at June 30, 2015 consisted of renovations to the Hospital.

Reconciliation of Net Investment in Capital Assets:

	Governmental Activities	Business-Type Activities	Component Unit
Land	\$ 1,335,137	\$ 1,476,059	\$ 185,160
Construction in Progress	1,776,159	3,884,233	10,014,180
Capital Assets (net of accumulated depreciation)	29,421,937	46,614,325	9,643,687
Less: General Obligation Bonds Payable	3,534,692	653,983	-
Notes Payable	-	1,102,654	-
Revenue Bonds	-	25,697,585	11,445,889
Capital Lease	233,385	76,866	-
Net Investment in Capital Assets	\$ 28,765,156	\$ 24,443,529	\$ 8,397,138

The Governmental 2012C General Obligation Refunding Notes of \$790,000 less discount of \$13,685 is excluded from the total Net Investment in Capital Assets because it was used for an EPA fine.

CITY OF LE MARS, IOWA
Notes to Financial Statements
June 30, 2015

Note 7 - LONG-TERM DEBT

General Obligation Bonds

The City issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities and projects. General obligation bonds have been issued for both governmental and business-type activities. These bonds are direct obligations and pledge the full faith and credit of the City.

General obligation bonds outstanding as of June 30, 2015 are as follows:

<u>Purpose</u>	<u>Interest Rates</u>	<u>Maturity Date</u>	<u>Amounts</u>
Governmental Activities – 2010 Refunding	2.75-3.125%	June 1, 2018	\$ 90,000
Business-Type Activities – 2010 Refunding	2.75-3.125%	June 1, 2018	640,000
Governmental Activities – 2011 Refunding	.60-2.300%	June 1, 2021	3,440,000
Governmental Activities – 2012C Refunding	.45-1.45%	June 1, 2020	790,000
Net Unamortized Premiums and Discounts			<u>4,990</u>
Total General Obligation Bonds on Statement of Net Position			<u>\$ 4,964,990</u>

Annual debt service requirements to maturity for general obligation bonds are as follows:

<u>Year Ending June 30,</u>	<u>Governmental Activities</u>		<u>Business-Type Activities</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2016	\$ 1,015,000	\$ 67,220	\$ 280,000	\$ 18,593
2017	930,000	54,805	285,000	10,894
2018	735,000	42,250	75,000	2,343
2019	710,000	31,242	-	-
2020	695,000	19,228	-	-
2021-2025	<u>235,000</u>	<u>24,633</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 4,320,000</u>	<u>\$ 239,378</u>	<u>\$ 640,000</u>	<u>\$ 31,830</u>

Revenue Bonds

The City also has issued revenue bonds where the City pledges income derived from the acquired or constructed asset to pay debt service. These funds have been expended on construction of the water treatment and wastewater treatment facilities. Financing details are as follows:

During fiscal year 2013, the City issued a 2012A sewer revenue bond totaling \$4,135,000. These proceeds were used to refund the 2004 series revenue bonds.

During fiscal year 2013, the City issued a 2012B water revenue bond totaling \$5,865,000. These bonds were issued to refund 2003 and 2005 series water revenue bonds to pay for water infrastructure improvements.

CITY OF LE MARS, IOWA
Notes to Financial Statements
June 30, 2015

Note 7 - LONG-TERM DEBT (Continued)

During fiscal year 2014, the City began drawing down on the 2013 taxable sewer revenue note for costs related to the wastewater treatment plant. The total amount expected to be drawn on the bonds is \$19,510,000. As of June 30, 2015, the City had drawn \$19,510,000 on the loans, which accrue interest at 3.1%.

Revenue bonds outstanding at June 30, 2015 are as follows:

Primary Government

<u>Purpose</u>	<u>Interest Rates</u>	<u>Maturity Date</u>	<u>Amounts</u>
Business-type Activities- Sewer 2012A Revenue Bonds	.50-1.3%	June 1, 2019	\$ 2,490,000
Business-type Activities – Water 2012B Revenue Bonds	.50-2.70%	June 1, 2028	4,310,000
Business-type Activities – Sewer 2013 Revenue Notes	3.10%	June 1, 2032	18,980,000
Net of Unamortized Bond Discount			(82,415)
Total Revenue Bonds on Statement of Net Position			<u>\$ 25,697,585</u>

Revenue Bonds

Annual revenue bond debt service requirement to maturity are as follows:

<u>Year</u> <u>Ending</u> <u>June 30,</u>	<u>Business-Type Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2016	\$ 1,760,000	\$ 683,625
2017	1,785,000	656,403
2018	1,815,000	626,687
2019	1,850,000	595,222
2020	1,260,000	560,282
2021-2025	6,860,000	2,228,601
2026-2030	7,445,000	1,128,395
2031-2035	3,005,000	140,430
Total	<u>\$25,780,000</u>	<u>\$ 6,619,645</u>

Advance and Current Refundings

In June 2010, the City issued \$2,095,000 of General Obligation Bonds, which is a crossover advance refunding of the 2002 and 2003 corporate purpose general obligation bonds. The 2002 and 2003 corporate purpose general obligation bonds were paid off in full during fiscal year 2011. The 2010 bonds carry an average interest rate of 2.94% and the 2002 and 2003 bonds refunded had an average interest rate of 4.18% and 3.35%. This resulted in a reduction of its debt service payments over the next eight years by \$87,054, and an economic gain of \$81,783.

CITY OF LE MARS, IOWA
Notes to Financial Statements
June 30, 2015

Note 7 - LONG-TERM DEBT (Continued)

In October 2011, the City issued \$4,950,000 of General Obligation Refunding Bonds, Series 2011 in a crossover advance refunding of Series 2006B General Obligation Corporate Purpose and Refunding Bonds. The 2011 bonds have an average interest rate of 1.45% and the 2006 bonds being refunded have an average interest rate of 4.0%. The 2006B General Obligation Corporate Purpose and Refunding Bonds were paid off in full during fiscal year 2013. As a result of this refunding, the City reduced its debt service payments over the next eight years by \$321,515, and obtain an economic gain of \$283,794.

In December 2012, the City issued \$4,135,000 of sewer revenue bonds Series 2012A, which was used to refund 2004 state revolving loan fund sewer revenue bonds. The 2012A series bonds carry an average interest rate of 1.02% and the 2004 series revenue bonds carried an interest rate of 3.25%. This resulted in a reduction of the City's debt service payments over the next nine years by \$555,880, and obtained an economic gain of \$425,659.

In December 2012, the City issued \$5,865,000 of water revenue improvements and refunding bonds Series 2012B, which a portion was used to refund 2003 state revolving loan fund water revenue bonds. The 2012B series bonds carry an average interest rate of 1.02% and the 2003 state revolving loan fund water revenue bonds carried an interest rate of 3.25%. This resulted in a reduction of the City's debt service payments over the next eight years by \$339,396, and obtained an economic gain of \$264,210.

In December 2012, the City issued \$1,115,000 of general obligation refunding bonds Series 2012C, which was used to refund 2007 state revolving fund general obligation bonds. The 2012C series bonds carry an average interest rate of 1.02% and the 2007 series bonds carried an interest rate of 3.0%. This resulted in a reduction of the City's debt service payments over the next 13 years by \$218,014, and obtained an economic gain of \$154,466.

Component Unit

The hospital entered into a loan agreement with the City for the purpose of financing improvements to expand and remodel portions of the existing facilities and to refund the Series 2002 revenue notes. This loan agreement does not constitute general obligation of the City and is payable solely from net revenues of the hospital. The Series 2013 hospital revenue bonds allow for \$25,600,000 to be drawn down. As of June 30, 2015, \$11,445,889 had been drawn on the bonds. The hospital will continue to request advances on the revenue bonds as work progresses on the project.

<u>Purpose</u>	<u>Interest Rates</u>	<u>Amounts</u>
Hospital/Component Unit	2.1%	\$ 7,629,318
Hospital/Component Unit	2.95%	3,766,570
Hospital/Component Unit	3.5%	50,001
		<u>\$ 11,445,889</u>

CITY OF LE MARS, IOWA
Notes to Financial Statements
June 30, 2015

Note 7 - LONG-TERM DEBT (Continued)

Maturities on the Series 2013A, 2013B and 2013C Hospital Revenue Bonds will be determined at the final advance date for each issue. The revenue bond resolutions require, among other things, the maintenance of a sinking fund which will be maintained.

Notes Payable

In April 2012, the City agreed to borrow up to \$390,000 from Iowa State Revolving fund for planning and design of the City's upcoming water improvement projects. The City drew down \$28,325 during fiscal year 2015. As of June 30, 2015, the total outstanding balance on the note was \$327,654. The note bears no interest and has a maturity date of August 10, 2018. No principal payments are required until the maturity date.

On July 1, 2014, the City Council approved water revenue loans not to exceed \$1,010,000 from Iowa State Revolving fund for the new water meter project. During fiscal year 2015 the City drew down \$1,010,000. As of June 30, 2015, the total outstanding balance on the note was \$775,000. The note bears an interest rate of 1.75% and final maturity is June 1, 2034.

Capital Leases

In fiscal year 2010, the City entered into capital lease agreements for the acquisition of a motor grader and fairway mower. These lease agreements qualify as capital leases for accounting purposes and, therefore, have been recorded at the present value of its minimum lease payments as of the inception date.

In fiscal year 2012, the City entered into capital lease agreement for the acquisition of a wheel loader and tractor. This lease agreement qualifies as a capital lease for accounting purposes and, therefore, has been recorded at the present value of its minimum lease payments as of the inception date.

In fiscal year 2013, the City entered into a capital lease agreement for the acquisition of a skid loader. This lease agreement qualifies as a capital lease for accounting purposes and, therefore, has been recorded at the present value of its minimum lease payments at the inception date.

In fiscal year 2014, the City entered into a capital lease agreement for the acquisition of a wheel loader and backhoe. These lease agreements qualify as a capital lease for accounting purposes, and therefore, have been recorded at the present value of its minimum lease payments as of the inception dates.

In fiscal year 2015, the City entered into a capital lease agreement for the acquisition of compact utility tractor with mower deck. The lease agreements qualify as a capital lease for accounting purposes, and therefore, have been recorded at the present value of its minimum lease payments as of the inception date.

CITY OF LE MARS, IOWA
Notes to Financial Statements
June 30, 2015

Note 7 - LONG-TERM DEBT (Continued)

The assets acquired through capital leases are as follows:

	Governmental Activities	Business-Type Activities
Asset:		
Equipment	\$ 403,242	\$ 100,901
Less: Accumulated Depreciation	286,573	40,360
Total	<u>\$ 116,669</u>	<u>\$ 60,541</u>

The following is a schedule of future minimum lease payments under capital lease, together with the net present value of the minimum lease payments as of June 30, 2015.

Year Ending June 30,	Governmental Activities			Business-Type Activities		
	Principal	Interest	Total	Principal	Interest	Total
2016	\$ 61,676	\$ 6,996	\$ 68,672	\$ 16,040	\$ 2,456	\$ 18,496
2017	43,207	5,698	48,905	16,658	1,838	18,496
2018	39,473	4,194	43,667	17,301	1,195	18,496
2019	40,771	2,895	43,666	8,666	887	9,553
2020	37,558	1,554	39,112	8,952	601	9,553
2021	10,700	353	11,053	9,249	305	9,554
Minimum Lease Payments			255,075			84,148
Less: Amount Representing Interest			(21,690)			(7,282)
Present Value of Minimum Lease Payments			<u>\$ 233,385</u>			<u>\$ 76,866</u>

CITY OF LE MARS, IOWA
Notes to Financial Statements
June 30, 2015

Note 7 - LONG-TERM DEBT (Continued)

Changes in Long-Term Liabilities

Long-Term liability activity for the year ended June 30, 2015, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Primary Government:					
Governmental Activities:					
Bonds Payable:					
General Obligation	\$ 5,315,000	\$ -	\$ 995,000	\$ 4,320,000	\$ 1,015,000
Unaccreted Bond Premium	4,692	-	1,198	3,494	-
Unaccreted Bond Discount	(13,528)	1,041	-	(12,487)	-
Other Post Employment Benefits	107,862	-	13,659	94,203	-
Capital Lease	290,967	21,061	78,643	233,385	61,676
Compensated Absences	891,254	102,171	178,251	815,174	163,035
Net Pension Liability	3,331,662	-	1,135,467	2,196,195	-
Governmental Activity Long-Term Liabilities					
	9,927,909	135,369	2,399,444	7,649,964	1,239,711
Business-Type Activities:					
Bonds Payable:					
General Obligation	910,000	-	270,000	640,000	280,000
Unaccreted Bond Premium	18,777	-	4,794	13,983	-
Revenue Bonds	24,793,702	2,721,298	1,735,000	25,780,000	1,760,000
Unaccreted Bond Discount	(90,532)	8,117	-	(82,415)	-
Notes Payable	299,330	1,038,324	235,000	1,102,654	34,000
Capital Lease	119,236	-	42,370	76,866	16,040
Compensated Absences	199,757	39,033	45,955	192,835	48,209
Net Pension Liability	603,491	-	213,948	389,543	-
Business-Type Activity					
Long-Term Liabilities					
	26,853,761	3,806,772	2,542,273	28,118,260	2,138,249
Component Unit:					
Bonds Payable:					
Revenue Bonds	6,983,618	4,462,271	-	11,445,889	-
Rural Economic Development Note	36,000	-	36,000	-	-
Net Pension Liability	9,575,368	-	2,779,065	6,796,303	-
Total Bonds Payable	\$ 16,594,986	\$ 4,462,271	\$ 2,815,065	\$ 18,242,192	\$ -

Note 8 - TRANSFERS

The following is a summary of transfers between funds:

	General	TIF	Nonmajor Governmental	Sewer	Water	Nonmajor Enterprise	Total Transfer In
General	\$ -	\$ 459,852	\$ 393,500	\$ 303,523	\$ 273,523	\$ 105,153	\$1,535,551
Debt Service	-	427,005	90,025	-	-	-	517,030
Public Safety Building	683	1,732,348	-	-	-	-	1,733,031
Nonmajor Governmental	-	-	290,000	-	-	-	290,000
Sewer	-	429,415	-	-	-	-	429,415
Water	-	295,894	-	-	-	-	295,894
Nonmajor Enterprise	-	100,000	-	-	-	-	100,000
Transfer Out	\$ 683	\$3,444,514	\$ 773,525	\$ 303,523	\$ 273,523	\$ 105,153	\$4,900,921

CITY OF LE MARS, IOWA
Notes to Financial Statements
June 30, 2015

Note 8 - TRANSFERS (Continued)

Transfers are used to:

1. Move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them.
2. To move receipts restricted to debt service from the fund collecting the receipts to the debt service fund as debt service payments become due.
3. To use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

Note 9- PENSION PLAN

Plan description – IPERS membership is mandatory for employees of the City, except for those covered by another retirement system. Employees of the City are provided with pensions through a cost-sharing multiple employer defined benefit pension plan administered by Iowa Public Employees' Retirement System (IPERS). IPERS issues a stand-alone financial report which is available to the public by mail at 7401 Register Drive, P.O. Box 9117, Des Moines, Iowa 50306-9117 or at www.ipers.org.

IPERS benefits are established under Iowa Code chapter 97B and the administrative rules thereunder. Chapter 97B and the administrative rules are the official plan documents. The following brief description is provided for general informational purposes only. Refer to the plan documents for more information.

Pension Benefits

A Regular member may retire at normal retirement age and receive monthly benefits without an early-retirement reduction. Normal retirement age is age 65, anytime after reaching age 62 with 20 or more years of covered employment, or when the member's years of service plus the member's age at the last birthday equals or exceeds 88, whichever comes first. (These qualifications must be met on the member's first month of entitlement to benefits.) Members cannot begin receiving retirement benefits before age 55.

The formula used to calculate a Regular member's monthly IPERS benefit includes:

- A multiplier (based on years of service).
- The member's highest five-year average salary. (For members with service before June 30, 2012, the highest three-year average salary as of that date will be used if it is greater than the highest five-year average salary).

Protection occupation members may retire at normal retirement age which is generally at age 55. The formula used to calculate a protection occupation members' monthly IPERS benefit includes:

- 60% of average salary after completion of 22 years of service, plus an additional 1.5% of average salary for years of service greater than 22 but not more than 30 years of service.
- The member's highest three-year average salary.

CITY OF LE MARS, IOWA
Notes to Financial Statements
June 30, 2015

Note 9- PENSION PLAN – (Continued)

If a member retires before normal retirement age, the member's monthly retirement benefit will be permanently reduced by an early-retirement reduction. The early-retirement reduction is calculated differently for service earned before and after July 1, 2012. For service earned before July 1, 2012, the reduction is 0.25% for each month that the member receives benefits before the member's earliest normal retirement age. For service earned starting July 1, 2012, the reduction is 0.50% for each month that the member receives benefits before age 65.

Generally, once a member selects a benefit option, a monthly benefit is calculated and remains the same for the rest of the member's lifetime. However, to combat the effects of inflation, retirees who began receiving benefits prior to July 1990 receive a guaranteed dividend with their regular November benefit payments.

Disability and Death Benefits

A vested member who is awarded federal Social Security disability or Railroad Retirement disability benefits is eligible to claim IPERS benefits regardless of age. Disability benefits are not reduced for early retirement. If a member dies before retirement, the member's beneficiary will receive a lifetime annuity or a lump-sum payment equal to the present actuarial value of the member's accrued benefit or calculated with a set formula, whichever is greater. When a member dies after retirement, death benefits depend on the benefit option the member selected at retirement.

Contributions

Effective July 1, 2012, as a result of a 2010 law change, the contribution rates are established by IPERS following the annual actuarial valuation, which applies IPERS' Contribution Rate Funding Policy and Actuarial Amortization Method. Statute limits the amount rates can increase or decrease each year to 1 percentage point. IPERS Contribution Rate Funding Policy requires that the actuarial contribution rate be determined using the "entry age normal" actuarial cost method and the actuarial assumptions and methods approved by the IPERS Investment Board. The actuarial contribution rate covers normal cost plus the unfunded actuarial liability payment based on a 30 year amortization period. The payment to amortize the unfunded actuarial liability is determined as a level percentage of payroll, based on the Actuarial Amortization Method adopted by the Investment Board.

In fiscal year 2015, pursuant to the required rate, Regular members contributed 5.95 percent of pay and the City contributed 8.93 percent for a total rate of 14.88 percent. Protective occupation members contributed 6.76 percent of pay and the City contributed 10.14 percent for a total rate of 16.80 percent.

The City's total contributions to IPERS for the year ended June 30, 2015 were \$262,528.

CITY OF LE MARS, IOWA
Notes to Financial Statements
June 30, 2015

Note 9- PENSION PLAN – (Continued)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2015, the City reported a liability of \$1,311,443 and the component unit reported \$6,796,303 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the net pension liability was based on the City's share of contributions to the pension plan relative to the contributions of all IPERS participating employers. At June 30, 2014, the City's collective proportion was .03307 percent and .171368 percent for the component unit, which was a decrease of .00232 percent from its proportion measured as of June 30, 2013. The component unit's proportionate share increased by .004599 percent from its proportion measured as of June 30, 2013.

For the year ended June 30, 2015, the City recognized pension expense of (\$137,945), and the component unit recognized pension expense of \$495,758. At June 30, 2015 the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Primary Government	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 15,620	\$ 11,333
Changes of assumptions	63,429	271
Net difference between projected and actual earnings on pension plan investments	-	671,782
Changes in proportion and differences between City contributions and proportionate share of contributions	23,485	-
City contributions subsequent to the measurement date	262,528	-
Total	\$ 365,062	\$ 683,386

	Component Unit	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 73,863	\$ -
Changes of assumptions	299,936	-
Net difference between projected and actual earnings on pension plan investments	-	2,591,914
Changes in proportion and differences between Component Unit's contributions and proportionate share of contributions	-	55,333
Component Unit's contributions subsequent to the measurement date	1,031,010	-
Total	\$ 1,404,809	\$ 2,647,247

CITY OF LE MARS, IOWA
Notes to Financial Statements
June 30, 2015

Note 9- PENSION PLAN – (Continued)

\$262,528 and \$1,031,010 reported as deferred outflows of resources related to pensions resulting from the City and component unit contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

	<u>Primary Government</u>	<u>Component Unit</u>
Year Ended June 30,		
2016	\$ (146,700)	\$ (573,570)
2017	(146,700)	(573,570)
2018	(146,700)	(573,570)
2019	(146,700)	(573,570)
2020	5,948	20,830
	<u>\$ (580,852)</u>	<u>\$(2,273,448)</u>

Actuarial assumptions – The total pension liability in the June 30, 2014 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Rate of Inflation (effective June 30, 2014)	3.00 percent per annum
Salary Increases (effective June 30, 2014)	4.00 percent average, including inflation. Rates vary by membership group.
Investment Rate of Return (effective June 30, 2014)	7.50 percent per annum, compounded annually, net of pension plan investment expense, and including inflation

The actuarial assumptions used in the June 30, 2014 valuation were based on the results of actuarial experience studies with dates corresponding to those listed above.

Mortality rates were based on the RP-2000 Generational Mortality Table for Males or Females, as appropriate, with adjustments for mortality improvements based on Scale AA.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

CITY OF LE MARS, IOWA
Notes to Financial Statements
June 30, 2015

Note 9- PENSION PLAN – (Continued)

The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
US Equity	23%	6.31
Non US Equity	15	6.76
Private Equity	13	11.34
Real Estate	8	3.52
Core Plus Fixed Income	28	2.06
Credit Opportunities	5	3.67
TIPS	5	1.92
Other Real Assets	2	6.27
Cash	1	(0.69)
Total	<u>100%</u>	

Discount rate – The discount rate used to measure the total pension liability was 7.50 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the contractually required rate and that contributions from the City and component unit will be made at contractually required rates, actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the City's and component unit's proportionate share of the net pension liability to changes in the discount rate. The following presents the City's and component unit's proportionate share of the net pension liability calculated using the discount rate of 7.5 percent, as well as what the City's and component unit's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (6.50 percent) or 1 percentage point higher (8.5 percent) than the current rate.

	1% Decrease 6.5%	Discount Rate 7.5%	1% Increase 8.5%
City's proportionate share of the net Pension liability	\$ 2,848,276	\$ 1,311,443	\$ 14,572
Component Unit's share of the net Pension liability	\$ 12,841,424	\$ 6,796,303	\$ 1,693,595

Pension plan fiduciary net position – Detailed information about the pension plan's fiduciary net position is available in the separately issued financial report which is available on IPERS' website at www.ipers.org.

CITY OF LE MARS, IOWA
Notes to Financial Statements
June 30, 2015

Note 9- PENSION PLAN – (Continued)

Payables to the pension plan

At June 30, 2015, the City reported payables to the defined benefit pension plan of \$19,838 for legally required employer contributions and \$13,219 for legally required employee contributions which had been withheld from employee wages but not yet remitted to IPERS.

At June 30, 2015, the component unit reported payables to the defined benefit pension plan of approximately \$9,000 for legally required employer contributions and approximately \$40,200 for legally required employee contributions which had been withheld from employee wages but not yet remitted to IPERS.

Municipal Fire and Police Retirement System of Iowa (MFPRSI)

Plan Description – MFPRSI membership is mandatory for fire fighters and police officers covered by the provisions of Chapter 411 of the Code of Iowa. Employees of the City are provided with pensions through a cost-sharing multiple employer defined benefit pension plan administered by MFPRSI. MFPRSI issues a stand-alone financial report which is available to the public by mail at 7155 Lake Drive, Suite #201, West Des Moines, Iowa 50266 or at www.mfprsi.org.

MFPRSI benefits are established under Chapter 411 of the Code of Iowa and the administrative rules thereunder. Chapter 411 of the Code of Iowa and the administrative rules are the official plan documents. The following brief description is provided for general informational purposes only. Refer to the plan documents for more information.

Pension Benefits - Members with 4 or more years of service are entitled to pension benefits beginning at age 55. Full service retirement benefits are granted to members with 22 years of service, while partial benefits are available to those members with 4 to 22 years of service based on the ratio of years completed to years required (i.e., 22 years). Members with less than 4 years of service are entitled to a refund of their contribution only, with interest, for the period of employment.

Benefits are calculated based upon the member's highest 3 years of compensation. The average of these 3 years becomes the member's average final compensation. The base benefit is 66 percent of the member's average final compensation. Additional benefits are available to members who perform more than 22 years of service (2 percent for each additional year of service, up to a maximum of 8 years). Survivor benefits are available to the beneficiary of a retired member according to the provisions of the benefit option chosen plus an additional benefit for each child. Survivor benefits are subject to a minimum benefit for those members who chose the basic benefit with a 50 percent surviving spouse benefit.

Active members, at least 55 years of age, with 22 or more years of service have the option to participate in the Deferred Retirement Option Program (DROP). The DROP is an arrangement whereby a member who is otherwise eligible to retire and commence benefits opts to continue to work. A member can elect a 3, 4, or 5 year DROP period. By electing to participate in DROP the member is signing a contract indicating the member will retire at the end of the selected DROP period. During the DROP period the member's retirement benefit is frozen and a DROP benefit is credited to a DROP account established for the member. Assuming the member completes the DROP period, the DROP benefit is equal to 52% of the member's retirement benefit at the member's earliest date eligible and 100% if the member delays enrollment for 24 months. At the member's actual date of retirement, the member's DROP account will be distributed to the member in the form of a lump sum or rollover to an eligible plan.

CITY OF LE MARS, IOWA
Notes to Financial Statements
June 30, 2015

Note 9- PENSION PLAN – (Continued)

Disability and Death Benefits - Disability coverage is broken down into two types, accidental and ordinary. Accidental disability is defined as permanent disability incurred in the line of duty, with benefits equivalent to the greater of 60 percent of the member's average final compensation or the member's service retirement benefit calculation amount. Ordinary disability occurs outside the call of duty and pays benefits equivalent to the greater of 50 percent of the member's average final compensation, for those with 5 or more years of service, or the member's service retirement benefit calculation amount, and 25 percent of average final compensation for those with less than 5 years of service.

Death benefits are similar to disability benefits. Benefits for accidental death are 50 percent of the average final compensation of the member plus an additional amount for each child, or the provisions for ordinary death. Ordinary death benefits consist of a pension equal to 40 percent of the average final compensation of the member plus an additional amount for each child, or a lump-sum distribution to the designated beneficiary equal to 50 percent of the previous year's earnable compensation of the member or equal to the amount of the member's total contributions plus interest.

Benefits are increased (escalated) annually in accordance with Chapter 411.6 of the Code of Iowa which states a standard formula for the increases.

The surviving spouse or dependents of an active member who dies due to a traumatic personal injury incurred in the line of duty receives a \$100,000 lump-sum payment.

Contributions - Member contribution rates are set by state statute. In accordance with Chapter 411 of the Code of Iowa as modified by act of the 1994 General Assembly, to establish compliance with the Federal Older Workers Benefit Protections Act, the contribution rate was 9.40% of earnable compensation for the year ended June 30, 2015.

Employer contribution rates are based upon an actuarially determined normal contribution rate and set by state statute. The required actuarially determined contributions are calculated on the basis of the entry age normal method as adopted by the Board of Trustees as permitted under Chapter 411 of the Code of Iowa. The normal contribution rate is provided by state statute to be the actuarial liabilities of the plan less current plan assets, with such total divided by 1 percent of the actuarially determined present value of prospective future compensation of all members, further reduced by member contributions and state appropriations. Under the Code of Iowa the employer's contribution rate cannot be less than 17.00% of earnable compensation. The contribution rate was 30.41% for the year ended June 30, 2015.

The City's contributions to MFPRSI for the year ended June 30, 2015 was \$281,402.

If approved by the state legislature, state appropriation may further reduce the employer's contribution rate, but not below the minimum statutory contribution rate of 17.00% of earnable compensation. The State of Iowa therefore is considered to be a nonemployer contributing entity in accordance with the provisions of the Governmental Accounting Standards Board Statement No. 67 – Financial Reporting for Pension Plans, (GASB 67).

There were no state appropriations to MFPRSI during the fiscal year ended June 30, 2014.

CITY OF LE MARS, IOWA
Notes to Financial Statements
June 30, 2015

Note 9- PENSION PLAN – (Continued)

Net Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions - At June 30, 2015, the City reported a liability of \$1,274,295 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the net pension liability was based on the City's share of contributions to the pension plan relative to the contributions of all MFPRSI participating employers. At June 30, 2014, the City's proportion was .351531% which was an increase of .00793% from its proportions measured as of June 30, 2013.

For the year ended June 30, 2015, the City recognized pension expense of (\$167,790). At June 30, 2015, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 3,606
Changes of assumptions	94,183	-
Net difference between projected and actual earnings on pension plan investments	-	599,011
Changes in proportion and differences between City contributions and proportionate share of contributions	36,082	-
City contributions subsequent to the measurement date	281,402	-
Total	<u>\$ 411,667</u>	<u>\$ 602,617</u>

\$281,402 reported as deferred outflows of resources related to pensions resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30,	
2016	\$ (120,160)
2017	(120,160)
2018	(120,160)
2019	(120,160)
2020	8,288
	<u>\$ (472,352)</u>

CITY OF LE MARS, IOWA
Notes to Financial Statements
June 30, 2015

Note 9- PENSION PLAN – (Continued)

Actuarial Assumptions The total pension liability in the June 30, 2014, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Rate of Inflation (effective June 30, 2014)	3.00 percent per annum
Salary Increases (effective June 30, 2014)	4.50 to 15.11 percent, including inflation.
Investment Rate of Return (effective June 30, 2014)	7.50 percent, net of pension plan investment expense, including inflation

The actuarial assumptions used in the June 30, 2014 valuation were based on the results of an actuarial experience study for the period from July 1, 2002 to June 30, 2012.

Mortality rates were based weighting equal to 2/12 of the 1971 GAM table and 10/12 of the 1994 GAM table with no projection of future mortality improvement.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates (i.e., expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Core Plus Fixed Income	7.0%	3.8%
Emerging Markets Debt	3.0	6.5
Domestic Equities	12.5	6.0
Master Limited Partnerships (MLP)	5.0	8.5
International Equities	12.5	7.0
Core Investments	<u>40.0%</u>	
Tactical Asset Allocation	35.0	6.0
Private Equity	15.0	9.8
Private Non-Core Real Estate	5.0	9.3
Private Core Real Estate	5.0	6.8
Real Estate	<u>10.0%</u>	
Total	<u>100%</u>	

CITY OF LE MARS, IOWA
Notes to Financial Statements
June 30, 2015

Note 9- PENSION PLAN – (Continued)

Discount Rate - The discount rate used to measure the total pension liability was 7.5 percent. The projection of cash flows used to determine the discount rate assumed that contributions will be made at 9.40% of covered payroll and the City contributions will be made at rates equal to the difference between actuarially determined rates and the member rate. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of City's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate - The following presents the City's proportionate share of the net pension liability calculated using the discount rate of 7.50 percent, as well as what the city's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percent lower (6.50 percent) or 1-percent higher (8.5 percent) than the current rate.

	1% Decrease 6.5%	Discount Rate 7.5%	1% Increase 8.5%
City's proportionate share of the net Pension liability	\$ 2,443,359	\$ 1,274,295	\$ 302,908

Pension Plan Fiduciary Net Position - Detailed information about the pension plan's fiduciary net position is available in the separately issued MFPRSI financial report which is available on MFPRSI's website at www.mfprsi.org.

Payables to the Pension Plan - At June 30, 2015, City of Le Mars reported payables to the defined benefit pension plan of \$24,568 for legally required employer contributions and \$7,594 for legally required employee contributions which had been withheld from employee wages but not yet remitted to MFPRSI.

Note 10 - OTHER POSTEMPLOYMENT BENEFITS (OPEB)

The City implemented GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits other Than Pensions* during the year ended June 30, 2009.

Plan Description. The City operates a single-employer retiree benefit plan which provides medical/prescription drug benefits for retirees and their spouses. There are 53 active and 4 retired members in the plan. Participants must be age 55 or older at retirement.

The medical/prescription drug coverage is a partially self-funded medical plan, administered by Avera Health. Retirees under age 65 pay the same premium for the medical/prescription drug benefit as active employees, which results in an implicit subsidy and an OPEB liability.

Funding Policy. The contribution requirements of plan members are established and may be amended by the City. The City currently finances the retiree benefit plan on a pay-as-you-go basis.

CITY OF LE MARS, IOWA
Notes to Financial Statements
June 30, 2015

Note 10 - OTHER POSTEMPLOYMENT BENEFITS (OPEB) – (Continued)

Annual OPEB Cost and Net OPEB Obligation. The City's annual OPEB cost is calculated based on the annual required contribution (ARC) of the City, an amount actuarially determined in accordance with GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years.

The following table shows the components of the City's annual OPEB cost for the year ended June 30, 2015, the amount actually contributed to the plan and changes in the City's net OPEB obligation:

Annual required contribution	\$ 36,046
Interest on net OPEB obligation	4,854
Adjustment to annual required contribution	<u>(6,622)</u>
Annual OPEB cost	34,278
Contributions made	<u>(47,937)</u>
Decrease in net OPEB obligation	(13,659)
Net OPEB obligation beginning of year	<u>107,862</u>
Net OPEB obligation end of year	<u>\$ 94,203</u>

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2008. The end of year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the actual contributions for the year ended June 30, 2015.

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation are summarized as follows:

Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
June 30, 2009	\$ 27,226	43%	\$ 15,515
June 30, 2010	\$ 27,226	43%	\$ 31,030
June 30, 2011	\$ 27,226	43%	\$ 46,545
June 30, 2012	\$ 26,817	24%	\$ 66,984
June 30, 2013	\$ 26,817	24%	\$ 87,423
June 30, 2014	\$ 26,817	24%	\$107,862
June 30, 2015	\$ 34,278	140%	\$ 94,203

Funded Status and Funding Progress. As of June 30, 2015, the most recent actuarial valuation date for the period July 1, 2014 through June 30, 2015, the actuarial accrued liability was \$368,088, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$368,088. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$2,993,553 and the ratio of the UAAL to covered payroll was 12.3%. As of June 30, 2015, there were no trust fund assets.

CITY OF LE MARS, IOWA
Notes to Financial Statements
June 30, 2015

Note 10 - OTHER POSTEMPLOYMENT BENEFITS (OPEB) – (Continued)

Actuarial Methods and Assumptions. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and the health care cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information

in the section following the Notes to Financial Statements, will present multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Projections of benefits for financial reporting purposes are based on the plan as understood by the employer and the plan members and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

As of June 30, 2015 actuarial valuation date, the projected unit credit actuarial cost method was used. The actuarial assumptions includes a 4.5% discount rate based on the City's funding policy. The health care trend rate used was 5% for all years.

Mortality rates are from the 2010 United States Life Tables. Based on the assumption that retirees were assumed to participate in the insurance until their sick leave account was exhausted. At that time continued participation was assumed to be 10% and 0% for active employees that are currently waiving coverage.

Projected claim costs of the medical plan are \$16,190 and \$17,398 annually for retirees and spouses, respectively, less than age 65. The salary increase rate was assumed to be 3.0% per year. The UAAL is being amortized as a level percentage of projected payroll expense on an open basis over 30 years.

Note 11- MAJOR CUSTOMER

During the year ended June 30, 2015, charges for services provided by the sewer utility of the City to Wells' Enterprises, Inc. was \$1,488,984 and to Dean's Food's, Inc. was \$643,001. This represents 34% and 15%, respectively, of total sewer charges for service. Charges for services provided by the water utility of the City to Wells' Enterprises, Inc. was \$484,257 which represents 25% of total water charges for services.

CITY OF LE MARS, IOWA
Notes to Financial Statements
June 30, 2015

Note 12 - DEFICIT FUND EQUITY

The City has three funds with deficit equity balances at June 30, 2015. The City intends to finance these deficits from various resources including; general funds, special assessments, future TIF collections, and capital project debt financing.

The individual fund deficits were as follows:

Capital Project – Public Safety Building Improvements	\$ 167,049
Capital Project –TIF Capital Projects	18,620
Capital Project – STP FHWA Projects	2,012
Capital Project – Street Construction	26,305
Special Revenue – Community Betterment.....	170,452

Note 13- RISK MANAGEMENT

Medical Insurance – As of July 1, 2001, the City began using a partially self-funded medical insurance program accounted for in an internal service fund. Costs of the program include medical benefits, administration fees and premiums for stop-loss coverage with limits of \$40,000 per covered employee per year. Based on prior year claims, the City was required to cover costs up to \$150,000 for one of its covered employees during the 2011 fiscal year. This was the only year where settled claims exceeded commercial insurance coverage in any of the past four fiscal years. Settled claims resulting from these or any other of the following risks have not exceeded commercial insurance coverage in any of the past four fiscal years, except as noted above.

Claims payable and estimated claims incurred but not reported are recorded as liabilities of the Internal Service Fund.

	2015	2014
Unpaid claims, beginning of fiscal year	\$ 95,679	\$ 113,757
Incurred claims (including IBNR's)	1,204,556	688,746
Claim payments	(1,167,221)	(706,824)
Unpaid claims, end of fiscal year	<u>\$ 133,014</u>	<u>\$ 95,679</u>

The City is a member of the Iowa Communities Assurance Pool, as allowed by Chapter 670.7 of the Code of Iowa. The Iowa Communities Assurance Pool (Pool) is a local government risk-sharing pool whose 727 members include various governmental entities throughout the State of Iowa. The Pool was formed in August 1986 for the purpose of managing and funding third-party liability claims against its members. The Pool provides coverage and protection in the following categories: general liability, automobile liability, automobile physical damage, public official's liability, police professional liability, property, inland marine, and boiler/machinery. There have been no reductions in insurance coverage from prior years.

Each member's annual casualty contributions to the Pool fund current operations and provide capital. Annual operating contributions are those amounts necessary to fund, on a cash basis, the Pool's general and administrative expenses, claims, claims expenses and reinsurance expenses due and payable in the current year, plus all or any portion of any deficiency in capital. Capital contributions are made during the first six years of membership and are maintained at a level determined by the Board not to exceed 300% of the total current members' basis rates or to comply with the requirements of any applicable regulatory authority having jurisdiction over the Pool.

CITY OF LE MARS, IOWA
Notes to Financial Statements
June 30, 2015

Note 13- RISK MANAGEMENT- (Continued)

The Pool also provides property coverage. Members who elect such coverage make annual operating contributions which are necessary to fund, on a cash basis, the Pool's general and administrative expenses and reinsurance premiums, all of which are due and payable in the current year, plus all or any portion of any deficiency in capital. Any year-end operating surplus is transferred to capital. Deficiencies in operations are offset by transfers from capital and, if insufficient, by the subsequent year's member contributions.

The City's property and casualty contributions to the risk pool are recorded as expenditures from its operating funds at the time of payment to the risk pool. The City's annual contributions to the Pool for the year ended June 30, 2015 were \$227,043.

The Pool uses reinsurance and excess risk-sharing agreements to reduce its exposure to large losses. The Pool retains general, automobile, police professional, and public officials' liability risks up to \$350,000 per claim. Claims exceeding \$350,000 are reinsured through reinsurance and excess risk-sharing agreements up to the amount of risk-sharing protection provided by the City's risk-sharing certificate. Property and automobile physical damage risks are retained by the Pool up to \$250,000 each occurrence, each location. Property risks exceeding \$250,000 are reinsured through reinsurance and excess risk-sharing agreements up to the amount of risk-sharing protection provided by the City's risk-sharing certificate.

The Pool's intergovernmental contract with its members provides that in the event a casualty claim, property loss or series of claims or losses exceeds the amount of risk-sharing protection provided by the City's risk-sharing certificate, or in the event that a casualty claim, property loss or series of claims or losses exhausts the pool's funds and any excess risk-sharing recoveries, then payment of such claims or losses shall be the obligation of the respective individual member against whom the claim was made or the loss was incurred.

The City does not report a liability for losses in excess of reinsurance or excess risk-sharing recoveries unless it is deemed probable that such losses have occurred and the amount of such loss can be reasonably estimated. Accordingly, at June 30, 2015, no liability has been recorded in the City's financial statements. As of June 30, 2015, settled claims have not exceeded the risk pool or reinsurance company coverage since the pool's inception.

Members agree to continue membership in the Pool for a period of not less than one full year. After such period, a member who has given 60 days' prior written notice may withdraw from the Pool. Upon withdrawal, payments for all casualty claims and claims expenses become the sole responsibility of the withdrawing member, regardless of whether a claim was incurred or reported prior to the member's withdrawal. Upon withdrawal, a formula set forth in the Pool's intergovernmental contract with its members is applied to determine the amount (if any) to be refunded to the withdrawing member.

The City also participates in the Iowa Municipalities Workers' Compensation Association (IMWCA) for workman's compensation insurance.

CITY OF LE MARS, IOWA
Notes to Financial Statements
June 30, 2015

Note 14- COMMITMENTS

During the year ended June 30, 2015, the City had entered into several construction contracts totaling approximately \$28,091,990 of which approximately \$26,879,024 has been expended to date. The remaining balance of \$1,212,966 will be paid as work progresses.

During the year ended June 30, 2002, the City entered into a 28E Agreement with Plymouth County and surrounding communities to contribute funds for the construction of a County jail from local option sales tax proceeds. The City of Le Mars has agreed to contribute a total of \$2,166,101 through November 2016. As of June 30, 2015, the City has made payments totaling \$1,884,402.

The City committed \$3,000,000 to Floyd Valley Hospital to be used for capital additions. The City will contribute \$500,000 a year with the last payment scheduled during fiscal year 2020. During fiscal year 2015, the City made contributions totaling \$500,000 to Floyd Valley Hospital which reduced the commitment to \$2,500,000 as of June 30, 2015.

Note 15 - NOTES RECEIVABLE

In January 2000, the City sold 75.87 acres in the Killeas Industrial Park to the Le Mars Business Initiative Corporation (LBIC) for \$8,000 per acre. In addition, the City and the LBIC have entered into a development agreement for which the City pays all costs to develop this property. The LBIC plans to market the land to prospective businesses. As each lot is sold by the LBIC, the net purchase price will be immediately payable to the City of Le Mars until such time as all costs associated with this project have been repaid. The note receivable as of June 30, 2015 is \$158,400.

In August 2004, the City loaned the LBIC \$110,000 which was then passed along to Prime Living Apartments as an Economic Development Loan. The loan is a 20 year 1% loan with interest payments due annually beginning December 31, 2005 and the principal due in a one time balloon payment on or before December 31, 2025.

Beginning in FY 2006 the City to date has contributed \$525,000 to the LBIC, for the acquisition of the Winter's feedlot property to initiate development near the Well's Enterprises Corporate Campus. Plymouth County also contributed in equal amounts to this project. These amounts will be repaid as funds are available from the sales of any of the property. In addition, the City incurred \$188,577 of expenditures related to the clean up and restoration of the Crescent Ridge Property. The City was reimbursed for these costs when a portion of the property was sold in fiscal year 2011. The full amounts of the original contributions will be repaid to the City as funds are available from future sales. During the year ended June 30, 2013, the City purchased Plymouth County's one-half interest in the Crescent Ridge Development for \$297,500. The City received \$395,204 from LBIC for the sale of lots during fiscal year 2015. An adjustment was made during fiscal year 2015 decreasing the receivable balance by \$165,819. This was done to reflect what is expected to be collected when the remaining lots are sold. At June 30, 2015, this loan had a remaining balance of \$269,399.

During the year ended June 30, 2014, the City entered into an agreement with Van's Sanitation approving a \$100,000 forgivable loan. The loan will be forgiven provided Van's Sanitation stays in business as of December 31, 2019. As of June 30, 2015 no violations of the agreement were noted.

CITY OF LE MARS, IOWA
Notes to Financial Statements
June 30, 2015

Note 15 - NOTES RECEIVABLE (Continued)

In September 2010, the City completed construction of a parking lot for a health care facility leased by Weinberg Investments, Inc. Total construction costs were \$155,000, of which the City will be reimbursed by Weinberg Investments, Inc. over four years with the last payment due at May 1, 2018, this note accrues interest at a rate of 3.5% per year. As of June 30, 2015, the balance on the note was \$120,000.

In December 2013, the City agreed to provide a \$33,000 interest-free loan to LBIC. There will be no monthly payments with the total balance due on October 31, 2015.

Note 16 - ACCOUNTING CHANGE / RESTATEMENT

Governmental Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions – an Amendment of GASB No. 27* was implemented during fiscal year 2015. The revised requirements establish new financial reporting requirements for state and local governments which provide their employees with pension benefits, including additional note disclosures and required supplementary information. In addition, GASB No. 68 requires a state or local government employer to recognize a net pension liability and changes in the net pension liability, deferred outflows of resources and deferred inflows of resources which arise from other types of events related to pensions. During the transition year, as permitted, beginning balances for deferred outflows of resources and deferred inflows of resources will not be reported, except for deferred outflows of resources related to contributions made after the measurement date of the beginning net pension liability which is required to be reported by Governmental Accounting Standards Board

Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. Beginning net position for governmental and business type activities were restated to retroactively report the beginning net pension liability and deferred outflows of resources related to contributions made after the measurement date, as follows:

	Governmental Activities	Business Type Activities	
		Water	Sewer
Net Position June 30, 2014, as previously reported	\$ 32,761,771	\$11,509,544	\$14,161,446
Net Pension Liability at June 30, 2014	(3,331,662)	(239,400)	(364,091)
Deferred outflows of resources related to contributions made after the June 30, 2013 measurement date	455,985	31,109	47,313
Net Position June 30, 2014, as restated	\$ 29,886,094	\$11,301,253	\$13,844,668

Note 17 - SUBSEQUENT EVENTS

In November 2015, the City issued \$2,500,000 of taxable urban renewal tax increment revenue bonds to pay costs of the ethanol storage and loading facilities project.

CITY OF LE MARS, IOWA
BUDGETARY COMPARISON SCHEDULE OF RECEIPTS, DISBURSEMENTS AND
CHANGES IN BALANCES - BUDGET AND ACTUAL (CASH BASIS) -
Governmental Funds and Proprietary Funds
REQUIRED SUPPLEMENTARY INFORMATION
For the Year Ended June 30, 2015

	Governmental Fund Type Actual	Proprietary Funds Actual	Floyd Valley Hospital
Receipts:			
Taxes	\$ 6,631,318	\$ -	\$ -
Tax Increment Financing	3,193,213	-	-
Other Tax	-	-	-
Licenses and Permits	139,283	-	-
Use of Money and Property	347,518	104,225	-
Intergovernmental	736,538	-	-
Charges for Services	936,243	7,166,723	35,446,871
Miscellaneous	920,932	103,190	1,212,490
Total	<u>12,905,045</u>	<u>7,374,138</u>	<u>36,659,361</u>
Disbursements:			
Public Safety	2,973,931	-	-
Public Works	1,530,579	-	-
Health and Social Services	-	-	-
Culture and Recreation	1,993,713	-	-
Community and Economic Development	900,516	-	-
General Government	1,317,660	-	-
Capital Projects	4,205,733	-	-
Debt Service	1,073,495	-	-
Business Type Activities	-	10,723,932	37,513,620
Total Disbursements	<u>13,995,627</u>	<u>10,723,932</u>	<u>37,513,620</u>
Excess (deficiency) of receipts over disbursements	(1,090,582)	(3,349,794)	(854,259)
Other financing sources net:			
Proceeds from Debt Financing	-	3,754,572	4,462,271
Sale of Assets	18,510	25,174	-
Interfund Transfers In	4,075,612	825,309	-
Interfund Transfers Out	(4,218,722)	(682,199)	-
Total other financing sources net	<u>(124,600)</u>	<u>3,922,856</u>	<u>4,462,271</u>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(1,215,182)	573,062	3,608,012
Balances - beginning of year	6,178,484	6,905,966	12,861,507
Balances - end of year	<u>\$ 4,963,302</u>	<u>\$ 7,479,028</u>	<u>\$ 16,469,519</u>

Total Actual	Budgeted Amounts		Final Budget
	Original	Final	
\$ 6,631,318	\$ 4,263,558	\$ 4,263,558	\$ (2,367,760)
3,193,213	3,054,700	3,054,700	(138,513)
-	1,371,556	1,371,556	1,371,556
139,283	68,750	68,750	(70,533)
451,743	288,100	288,100	(163,643)
736,538	2,391,243	2,836,243	2,099,705
43,549,837	60,869,450	60,911,950	17,362,113
2,236,612	117,500	342,500	(1,894,112)
<u>56,938,544</u>	<u>72,424,857</u>	<u>73,137,357</u>	<u>16,198,813</u>
2,973,931	2,908,871	3,002,871	28,940
1,530,579	1,766,613	1,766,613	236,034
-	-	-	-
1,993,713	1,809,548	2,005,548	11,835
900,516	336,882	876,882	(23,634)
1,317,660	1,375,079	1,432,079	114,419
4,205,733	4,082,470	5,882,470	1,676,737
1,073,495	1,072,496	1,073,596	101
48,237,552	59,360,007	64,710,007	16,472,455
<u>62,233,179</u>	<u>72,711,966</u>	<u>80,750,066</u>	<u>18,516,887</u>
(5,294,635)	(287,109)	(7,612,709)	2,318,074
8,216,843	-	3,700,000	4,516,843
43,684	-	-	43,684
4,900,921	9,226,123	9,226,123	(4,325,202)
<u>(4,900,921)</u>	<u>(9,226,123)</u>	<u>(9,226,123)</u>	<u>4,325,202</u>
<u>8,260,527</u>	<u>-</u>	<u>3,700,000</u>	<u>4,560,527</u>
2,965,892	(287,109)	(3,912,709)	6,878,601
25,945,957	-	-	25,945,957
<u>\$ 28,911,849</u>	<u>\$ (287,109)</u>	<u>\$ (3,912,709)</u>	<u>\$ 32,824,558</u>

CITY OF LE MARS, IOWA
BUDGET TO GAAP RECONCILIATION
REQUIRED SUPPLEMENTARY INFORMATION
For the Year Ended June 30, 2015

	Governmental Funds		
	Cash Basis	Accrual Adjustments	Modified Accrual Basis
Revenues	\$ 12,905,045	\$ (428,770)	\$ 12,476,275
Expenditures	13,995,627	490,583	14,486,210
Net	(1,090,582)	(919,353)	(2,009,935)
Other Financing Sources, net	(124,600)	20,030	(104,570)
Beginning Fund Balance	6,178,484	1,675,064	7,853,548
Ending Fund Balance	<u>\$ 4,963,302</u>	<u>\$ 775,741</u>	<u>\$ 5,739,043</u>

	Enterprise Funds		
	Cash Basis	Accrual Adjustments	Accrual Basis
Revenues	\$ 7,374,138	\$ 465,837	\$ 7,839,975
Expenses	10,723,932	(4,150,835)	6,573,097
Net	(3,349,794)	4,616,672	1,266,878
Other Financing Sources, net	3,922,856	(3,569,498)	353,358
Beginning Net Position	6,905,966	23,410,390	30,316,356
Prior Period Adjustment	-	(525,069)	(525,069)
Ending Net Position	<u>\$ 7,479,028</u>	<u>\$ 23,932,495</u>	<u>\$ 31,411,523</u>

	Component Unit		
	Cash Basis	Accrual Adjustments	Accrual Basis
Revenues	\$ 36,659,361	\$ (186,479)	\$ 36,472,882
Expenses	37,513,620	(4,013,578)	33,500,042
Net	(854,259)	3,827,099	2,972,840
Other Financing Sources, net	4,462,271	(4,462,271)	-
Beginning Net Position	12,861,507	8,626,867	21,488,374
Prior Period Adjustment	-	(8,573,993)	(8,573,993)
Ending Net Position	<u>\$ 16,469,519</u>	<u>\$ (582,298)</u>	<u>\$ 15,887,221</u>

CITY OF LE MARS
Notes to Required Supplementary Information – Budgetary Reporting
June 30, 2015

The budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the City Council annually adopts a budget on the cash basis following required public notice and hearing for all funds except Agency Funds and the Internal Service Funds, and appropriates the amount deemed necessary for each of the different City offices and departments. The budgets may be amended during the year utilizing similar statutorily prescribed procedures. Encumbrances are not recognized on the cash basis budget and appropriations lapse at year end. The budget was amended once during the year.

Formal and legal budgetary control is based upon nine major classes of expenditures known as functions, not by fund. These nine functions are: public safety, public works, community and economic development, health and social services, culture and recreation, general government, debt service, capital projects, and business-type activities. Function disbursements required to be budgeted include disbursements for the General Fund, Special Revenue Funds, Debt Service Fund, Capital Projects Funds, and the Enterprise Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. Legal budgetary control is also based upon the appropriation to each office or department. During the year, one budget amendment increased budgeted disbursements by \$8,038,100. The budget amendment is reflected in the final budgeted amounts.

During the fiscal year ended June 30, 2015, disbursements exceeded budgeted amounts in community and economic development function.

CITY OF LE MARS, IOWA
Schedule of Funding Progress for the
Retiree Health Plan

Required Supplementary Information							
Fiscal Year	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
2010	July 1, 2008	-	\$ 234,941	\$ 234,941	0.00%	\$2,770,000	8.5%
2011	July 1, 2008	-	\$ 234,941	\$ 234,941	0.00%	\$2,770,000	8.5%
2012	June 30, 2012	-	\$ 238,651	\$ 238,651	0.00%	\$2,911,872	8.2%
2013	June 30, 2012	-	\$ 238,651	\$ 238,651	0.00%	\$3,126,273	7.6%
2014	June 30, 2012	-	\$ 238,651	\$ 238,651	0.00%	\$3,782,938	6.3%
2015	June 30, 2015	-	\$ 368,088	\$ 368,088	0.00%	\$2,993,553	12.3%

See Note 10 in the accompanying Notes to Financial Statements for the plan description, funding policy, annual OPEB Cost and Net OPEB Obligation, funded status and funding progress.

**CITY OF LE MARS
SCHEDULE OF THE CITY'S PROPORTIONATE SHARE OF
THE NET PENSION LIABILITY
IOWA PUBLIC EMPLOYEES' RETIREMENT SYSTEM LAST FISCAL YEAR*
(IN THOUSANDS)
REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2015**

	2015	
	City	Component Unit
City's proportion of the net pension liability	.03307%	.171368%
City's proportionate share of the net pension liability	\$ 1,311	\$ 6,796
City's covered-employee payroll	\$ 2,887	\$ 11,767
City's proportionate share of the net pension liability as a percentage of its covered employee payroll	45.41%	57.75%
Plan fiduciary net position as a percentage of the total pension liability	87.61%	87.61%

*The amounts presented for each fiscal year were determined as of June 30.

Note: GASB Statement No. 68 requires ten years of information to be presented in this table. However, until a full 10-year trend is compiled, the City will present information for those years for which information is available.

**CITY OF LE MARS
SCHEDULE OF THE CITY CONTRIBUTIONS
IOWA PUBLIC EMPLOYEES' RETIREMENT SYSTEM
LAST TEN YEARS (IN THOUSANDS)
REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2015**

	2015	2014	2013	2012	2011
Statutorily required contribution	\$ 262	\$ 264	\$ 246	\$ 219	\$ 186
Contributions in relation to the statutorily required contribution	(262)	(264)	(246)	(219)	(186)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -
City's covered employee payroll	\$ 2,865	\$ 2,887	\$ 2,744	\$ 2,618	\$ 2,514
Contributions as a percentage of covered-employee payroll	9.14%	9.14%	8.97%	8.37%	7.40%

	2010	2009	2008
Statutorily required contribution	\$ 167	\$ 152	\$ 141
Contributions in relation to the statutorily required contribution	(167)	(152)	(141)
Contribution deficiency (excess)	\$ -	\$ -	\$ -
City's covered employee payroll	\$ 2,385	\$ 2,360	\$ 2,296
Contributions as a percentage of covered-employee payroll	7.00%	6.44%	6.14%

Note: GASB Statement No. 68 requires ten years of information to be presented in this table. However, until a full 10-year trend is compiled, the City will present information for those years for which information is available.

CITY OF LE MARS
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION –
PENSION LIABILITY
FOR THE YEAR ENDED JUNE 30, 2015

Changes of Benefit Terms:

Legislation passed in 2010 modified benefit terms for current Regular members. The definition of final average salary changed from the highest three to the highest five years of covered wages. The vesting requirement changed from four years of service to seven years. The early retirement reduction increased from 3 percent per year measured from the member's first unreduced retirement age to a 6 percent reduction for each year of retirement before age 65.

In 2008, legislative action transferred four groups – emergency medical service providers, county jailers, county attorney investigators, and National Guard installation security officers – from Regular membership to the protection occupation group for future service only.

Benefit provisions for sheriffs and deputies were changed in the 2004 legislative session. The eligibility for unreduced retirement benefits was lowered from age 55 by one year each July 1 (beginning in 2004) until it reached age 50 on July 1, 2008. The years of service requirement remained at 22 or more. Their contribution rates were also changed to be shared 50-50 by the employee and employer, instead of the previous 40-60 split.

Changes of Assumptions

The 2014 valuation implemented the following refinements as a result of a quadrennial experience study:

- Decreased the inflation assumption from 3.25 percent to 3.00 percent.
- Decreased the assumed rate of interest on member accounts from 4.00 percent to 3.75 percent per year.
- Adjusted male mortality rates for retirees in the Regular membership group.
- Reduced retirement rates for sheriffs and deputies between the ages of 55 and 64.
- Moved from an open 30 year amortization period to a closed 30 year amortization period for the UAL beginning June 30, 2014. Each year thereafter, changes in the UAL from plan experience will be amortized on a separate closed 20 year period.

The 2010 valuation implemented the following refinements as a result of a quadrennial experience study:

- Adjusted retiree mortality assumptions.
- Modified retirement rates to reflect fewer retirements.
- Lowered disability rates at most ages.
- Lowered employment termination rates.
- Generally increased the probability of terminating members receiving a deferred retirement benefit.
- Modified salary increase assumptions based on various service duration.

The 2007 valuation adjusted the application of the entry age normal cost method to better match projected contributions to the projected salary stream in the future years. It also included in the calculation of the UAL amortization payments the one-year lag between the valuation date and the effective date of the annual actuarial contribution rate.

**CITY OF LE MARS
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION –
PENSION LIABILITY
FOR THE YEAR ENDED JUNE 30, 2015**

The 2006 valuation implemented the following refinements as a result of a quadrennial experience study:

- Adjusted salary increase assumptions to service based assumptions.
- Decreased the assumed interest rate credited on employee contributions from 4.25 percent to 4.00 percent.
- Lowered the inflation assumption from 3.50 percent to 3.25 percent.
- Lowered disability rates for sheriffs and deputies and protection occupation members.

CITY OF LE MARS
SCHEDULE OF THE CITY'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
MUNICIPAL FIRE AND POLICE RETIREMENT SYSTEM OF IOWA
LAST FISCAL YEAR*
REQUIRED SUPPLEMENTARY INFORMATION

	<u>2015</u>
City's proportion of the net pension liability	.35%
City's proportionate share of the net pension liability	\$ 1,274,295
City's covered-employee payroll	\$ 897,705
City's proportionate share of the net pension liability as a percentage of its covered employee payroll	141.95%
Plan fiduciary net position as a percentage of the total pension liability	86.27%

*The amounts presented for each fiscal year were determined as of June 30.

See accompany independent auditors' report

Note: GASB Statement No. 68 requires ten years of information to be presented in this table. However, until a full 10-year trend is compiled, the City will present information for those years for which information is available.

**CITY OF LE MARS
SCHEDULE OF THE CITY CONTRIBUTIONS
MUNICIPAL FIRE AND POLICE RETIREMENT SYSTEM OF IOWA
LAST 10 FISCAL YEARS
(IN THOUSANDS)
REQUIRED SUPPLEMENTARY INFORMATION**

	2015	2014	2013	2012	2011
Statutorily required contribution	\$ 281	\$ 270	\$ 224	\$ 210	\$ 172
Contributions in relation to the statutorily required contribution	(281)	(270)	(224)	(210)	(172)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -
City's covered employee payroll	\$ 925	\$ 897	\$ 859	\$ 851	\$ 867
Contributions as a percentage of covered-employee payroll	30.41%	30.12%	26.12%	24.76%	19.90%

	2010	2009	2008	2007	2006
Statutorily required contribution	\$ 144	\$ 153	\$ 200	\$ 211	\$ 203
Contributions in relation to the statutorily required contribution	(144)	(153)	(200)	(211)	(203)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -
City's covered employee payroll	\$ 847	\$ 818	\$ 787	\$ 760	\$ 720
Contributions as a percentage of covered-employee payroll	17.00%	18.75%	25.48%	27.75%	28.21%

See accompanying independent auditor's report.

CITY OF LE MARS
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – PENSION LIABILITY
YEAR ENDED JUNE 30, 2015

Changes of benefit terms:

There were no significant changes of benefit terms.

Changes of assumptions:

Effective July 1, 2014, two additional steps were taken to phase in the 1994 Group Annuity Mortality Table for post-retirement mortality. The two additional steps result in a weighting of 2/12 of the 1971 Group Annuity Mortality Table and 10/12 of the 1994 Group Annuity Mortality Table.

CITY OF LE MARS, IOWA
COMBINING BALANCE SHEET
Governmental Nonmajor Funds
JUNE 30, 2015

	Special Revenue Funds			
	Community Betterment	Westmar University TIF	Joint Urban Renewal TIF	Police Pension Fund
Assets				
Cash and Pooled Investments	\$ -	\$ 281,534	\$ 222,670	\$ 21,172
Investments	-	-	-	-
Receivables (Net, where applicable, of allowance for uncollectibles)				
Accounts	-	-	-	-
Taxes	-	-	-	1,165
Subsequent Year Taxes	-	338,355	-	263,528
Special Assessments	-	-	-	-
Notes Receivable	-	-	-	-
Due from Other Governmental Agencies	-	-	-	-
Total Assets	-	619,889	222,670	285,865
Liabilities:				
Accounts Payable	-	287	-	-
Due to Other Funds	170,452	-	-	-
Total Liabilities	170,452	287	-	-
Deferred Inflows of Resources				
Unavailable Revenue-				
Subsequent Year Property Taxes	-	338,355	-	263,528
Delinquent Property Tax	-	-	-	89
Special Assessment	-	-	-	-
Total Deferred Inflows of Resources	-	338,355	-	263,617
Fund Balances:				
Nonspendable:				
Notes Receivable	-	-	-	-
Perpetual Care	-	-	-	-
Restricted for:				
Road Surface Repairs	-	-	-	-
Employee Benefits	-	-	-	22,248
Tax Increment Financing	-	281,247	222,670	-
Law Enforcement	-	-	-	-
Local Option Sales Tax	-	-	-	-
Tree Farm	-	-	-	-
Assigned for:				
Capital Improvement	-	-	-	-
Unassigned	(170,452)	-	-	-
Total Fund Balances (Deficits)	(170,452)	281,247	222,670	22,248
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ -	\$ 619,889	\$ 222,670	\$ 285,865

Special Revenue Funds				
Unemploy- ment	Road Use Tax	Local Option Sales Tax	Special Law Enforcement	Tree Farm
\$ 42,150	\$ 745,216	\$ 117,550	\$ 7,952	\$ 14,525
-	-	-	-	-
-	-	675	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	101,035	158,305	-	-
42,150	846,251	276,530	7,952	14,525
5,393	-	18,471	-	-
-	-	-	-	-
5,393	-	18,471	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	846,251	-	-	-
36,757	-	-	-	-
-	-	-	-	-
-	-	-	7,952	-
-	-	258,059	-	-
-	-	-	-	14,525
-	-	-	-	-
-	-	-	-	-
36,757	846,251	258,059	7,952	14,525
\$ 42,150	\$ 846,251	\$ 276,530	\$ 7,952	\$ 14,525

(continued)

CITY OF LE MARS, IOWA
COMBINING BALANCE SHEET
Governmental Nonmajor Funds
JUNE 30, 2015

	Capital Project			
	Industrial Park	Airport Improvements	Street Construction	STP FHWA Projects
Assets				
Cash and Pooled Investments	\$ 349,699	\$ 24,970	\$ -	\$ -
Investments	-	-	-	-
Receivables (Net, where applicable, of allowance for uncollectibles)				
Accounts	-	-	-	-
Taxes	-	-	-	-
Subsequent Year Taxes	-	-	-	-
Special Assessments	-	-	143,389	2,250
Notes Receivable	158,400	-	-	-
Due from Other Governmental Agencies	-	10,376	-	-
Total Assets	508,099	35,346	143,389	2,250
Liabilities:				
Accounts Payable	-	265	-	-
Due to Other Funds	-	-	28,920	2,012
Total Liabilities	-	265	28,920	2,012
Deferred Inflows of Resources				
Unavailable Revenue-				
Subsequent Year Property Taxes	-	-	-	-
Delinquent Property Tax	-	-	-	-
Special Assessment	-	-	140,774	2,250
Total Deferred Inflows of Resources	-	-	140,774	2,250
Fund Balances:				
Nonspendable:				
Notes Receivable	158,400	-	-	-
Perpetual Care	-	-	-	-
Restricted for:				
Road Surface Repairs	-	-	-	-
Employee Benefits	-	-	-	-
Tax Increment Financing	-	-	-	-
Law Enforcement	-	-	-	-
Local Option Sales Tax	-	-	-	-
Tree Farm	-	-	-	-
Assigned for:				
Capital Improvement	349,699	35,081	-	-
Unassigned	-	-	(26,305)	(2,012)
Total Fund Balances (Deficits)	508,099	35,081	(26,305)	(2,012)
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 508,099	\$ 35,346	\$ 143,389	\$ 2,250

Capital Project Funds				Permanent Fund	Total Governmental Nonmajor Funds
TIF Capital Projects	Joint Urban Renewal	Business Park	Storm Sewer Drainage Imp.	Cemetery Perpetual Care Fund	
\$ -	\$ 228,316	\$ 140,724	\$ -	\$ -	\$ 2,196,478
-	-	-	-	151,066	151,066
-	-	-	-	-	675
-	-	-	-	-	1,165
-	-	-	-	-	601,883
2,015	-	-	-	-	147,654
-	269,399	-	-	-	427,799
-	-	-	-	-	269,716
2,015	497,715	140,724	-	151,066	3,796,436
1,156	-	-	-	-	25,572
17,464	-	-	-	-	218,848
18,620	-	-	-	-	244,420
-	-	-	-	-	601,883
-	-	-	-	-	89
2,015	-	-	-	-	145,039
2,015	-	-	-	-	747,011
-	269,399	-	-	-	427,799
-	-	-	-	151,066	151,066
-	-	-	-	-	846,251
-	-	-	-	-	59,005
-	-	-	-	-	503,917
-	-	-	-	-	7,952
-	-	-	-	-	258,059
-	-	-	-	-	14,525
-	228,316	-	-	-	613,096
(18,620)	-	140,724	-	-	(76,665)
(18,620)	497,715	140,724	-	151,066	2,805,005
\$ 2,015	\$ 497,715	\$ 140,724	\$ -	\$ 151,066	\$ 3,796,436

CITY OF LE MARS, IOWA
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
Governmental Nonmajor Funds
For the Year Ended June 30, 2015

	Special Revenue Funds			
	Community Betterment	Westmar University TIF	Joint Urban Renewal TIF	Police Pension Fund
Revenue:				
Taxes	\$ -	\$ 334,097	\$ 155,442	\$ 281,837
Special Assessments	-	-	-	-
Intergovernmental Revenue	-	4,971	-	9,741
Charges for Services	-	-	-	-
Contributions	111,498	-	-	-
Refunds/Reimbursements	-	-	-	-
Rental Income	-	-	-	-
Interest	-	-	-	-
Total Revenue	111,498	339,068	155,442	291,578
Expenditures:				
Public Safety	-	-	-	281,402
Public Works	-	-	-	-
Community and Economic Development	358,770	24,980	-	-
General Government	-	-	-	-
Capital Projects	-	-	45,688	-
Total Expenditures	358,770	24,980	45,688	281,402
Excess (deficiency) of revenues over expenditures	(247,272)	314,088	109,754	10,176
Other financing sources (uses):				
Transfers In	-	-	-	-
Transfers Out	-	(19,000)	-	-
Total other financing sources (uses)	-	(19,000)	-	-
Net Change in Fund Balance	(247,272)	295,088	109,754	10,176
Fund balances (deficits) -beginning of year	76,820	(13,841)	112,916	12,072
Fund balances (deficits) - end of year	\$ (170,452)	\$ 281,247	\$ 222,670	\$ 22,248

Special Revenue Funds				
Unemploy- ment	Road Use Tax	Local Option Sales Tax	Special Law Enforcement	Tree Farm
\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-
-	1,046,955	964,223	-	-
-	-	-	-	-
-	-	-	157	1,000
-	-	675	-	-
-	-	-	-	-
-	-	177	3	-
-	1,046,955	965,075	160	1,000
-	-	-	-	-
-	581,936	-	-	-
-	-	-	-	-
21,758	-	-	-	-
-	-	722,460	-	-
21,758	581,936	722,460	-	-
(21,758)	465,019	242,615	160	1,000
-	-	-	-	-
-	(440,000)	(314,525)	-	-
-	(440,000)	(314,525)	-	-
(21,758)	25,019	(71,910)	160	1,000
58,515	821,232	329,969	7,792	13,525
\$ 36,757	\$ 846,251	\$ 258,059	\$ 7,952	\$ 14,525

(continued)

CITY OF LE MARS, IOWA
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
Governmental Nonmajor Funds
For the Year Ended June 30, 2015

	Capital Project Funds			
	Industrial Park	Airport Improvements	Street Construction	STP FHWA Projects
Revenue:				
Taxes	\$ -	\$ -	\$ -	\$ -
Special Assessments	-	-	53,862	-
Intergovernmental Revenue	-	37,799	-	169,433
Charges for Services	-	-	-	-
Contributions	-	-	-	-
Refunds/Reimbursements	2,500	833	-	-
Rental Income	-	-	-	-
Interest	-	-	4,521	-
Total Revenue	2,500	38,632	58,383	169,433
Expenditures:				
Public Safety	-	-	-	-
Public Works	-	-	-	-
Community and Economic Development	70,574	-	-	-
General Government	-	-	-	-
Capital Projects	-	44,702	37,213	298,021
Total Expenditures	70,574	44,702	37,213	298,021
Excess (deficiency) of revenues over expenditures	(68,074)	(6,070)	21,170	(128,588)
Other financing sources (uses):				
Transfers In	-	-	-	290,000
Transfers Out	-	-	-	-
Total other financing sources (uses)	-	-	-	290,000
Net Change in Fund Balance	(68,074)	(6,070)	21,170	161,412
Fund balances (deficits) -beginning of year	576,173	41,151	(47,475)	(163,424)
Fund balances (deficits) - end of year	\$ 508,099	\$ 35,081	\$ (26,305)	\$ (2,012)

Capital Project Funds				Permanent Fund	Total Governmental Nonmajor Funds
TIF Capital Projects	Joint Urban Renewal	Business Park	Storm Sewer Drainage Imp.	Cemetery Perpetual Care Fund	
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 771,376
-	-	-	-	-	53,862
-	-	-	-	-	2,233,122
-	-	-	-	2,772	2,772
-	-	-	-	-	112,655
-	24,622	-	-	-	28,630
3,780	-	-	-	-	3,780
-	-	-	-	-	4,701
3,780	24,622	-	-	2,772	3,210,898
-	-	-	-	-	281,402
-	-	-	-	-	581,936
-	-	-	-	-	454,324
-	-	-	-	-	21,758
228,591	227,771	17,426	-	-	1,621,872
228,591	227,771	17,426	-	-	2,961,292
(224,811)	(203,149)	(17,426)	-	2,772	249,606
-	-	-	-	-	290,000
-	-	-	-	-	(773,525)
-	-	-	-	-	(483,525)
(224,811)	(203,149)	(17,426)	-	2,772	(233,919)
206,191	700,864	158,150	-	148,294	3,038,924
\$ (18,620)	\$ 497,715	\$ 140,724	\$ -	\$ 151,066	\$ 2,805,005

CITY OF LE MARS, IOWA
COMBINING STATEMENT OF NET POSITION
Enterprise Nonmajor Funds
JUNE 30, 2015

	Business Type Activities			
	Golf Course	Solid Waste	Storm Sewer	Total
ASSETS				
Cash and Cash Equivalents	\$ -	\$ 202,244	\$ 305,182	\$ 507,426
Receivables (Net, where applicable, of allowance for uncollectibles)				
Accounts	-	17,301	7,113	24,414
Estimated Unbilled Usage	-	30,974	13,163	44,137
Prepaid Assets	1,907	-	-	1,907
Total Current Assets	1,907	250,519	325,458	577,884
Noncurrent Assets:				
Land	290,538	-	-	290,538
Construction in Progress	-	-	150,204	150,204
Infrastructure, Property and Equipment, Net of Accumulated Depreciation	2,702,895	198,669	1,096,249	3,997,813
Total Noncurrent Assets	2,993,433	198,669	1,246,453	4,438,555
Total Assets	2,995,340	449,188	1,571,911	5,016,439
LIABILITIES				
Accounts Payable	9,824	23,151	30,800	63,775
Due to Other Funds	117,969	-	-	117,969
Total Current Liabilities	127,793	23,151	30,800	181,744
Noncurrent Liabilities:				
Due within one year:				
Capital Lease	-	8,178	-	8,178
Due in more than one year:				
Capital Lease	-	17,449	-	17,449
Total Noncurrent Liabilities	-	25,627	-	25,627
Total Liabilities	127,793	48,778	30,800	207,371
NET POSITION				
Net Investment in Capital Assets	2,993,433	173,042	1,246,453	4,412,928
Unrestricted	(125,886)	227,368	294,658	396,140
Total Net Position	\$ 2,867,547	\$ 400,410	\$ 1,541,111	\$ 4,809,068

CITY OF LE MARS, IOWA
COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
Enterprise Nonmajor Funds
For the Year Ended June 30, 2015

	Business Type Activities			
	Golf Course	Solid Waste	Storm Sewer	Total
Operating Revenues:				
Charges for Services	\$ 358,876	\$ 594,994	\$ 215,066	\$ 1,168,936
Total Operating Revenue	358,876	594,994	215,066	1,168,936
Operating Expenses:				
Contract Services	217,637	500,959	-	718,596
Supplies	99,469	-	-	99,469
Repairs and Improvements	24,033	12,563	17,931	54,527
Utilities	18,799	-	-	18,799
Miscellaneous	3,891	105,794	-	109,685
Depreciation	129,383	49,906	58,367	237,656
Total Operating Expenses	493,212	669,222	76,298	1,238,732
Operating Income (Loss)	(134,336)	(74,228)	138,768	(69,796)
Non-Operating Income (Expense):				
Refunds and Reimbursements	28,429	1,083	-	29,512
Interest Expense	-	(1,109)	-	(1,109)
Total Non-Operating Income (Expense)	28,429	(26)	-	28,403
Income (Loss) before Contributions and Transfers	(105,907)	(74,254)	138,768	(41,393)
Contributed Capital	60,044	-	150,204	210,248
Transfers In	-	100,000	-	100,000
Transfers (Out)	(55,153)	(50,000)	-	(105,153)
Change in Net Position	(101,016)	(24,254)	288,972	163,702
Net Position - Beginning	2,968,563	424,664	1,252,139	4,645,366
Net Position - Ending	\$ 2,867,547	\$ 400,410	\$ 1,541,111	\$ 4,809,068

CITY OF LE MARS, IOWA
COMBINING STATEMENT OF CASH FLOWS
Enterprise Nonmajor Funds
For the Year Ended June 30, 2015

	Business Type Activities			
	Golf Course	Solid Waste	Storm Sewer	Total
CASH FLOWS FROM OPERATING ACTIVITIES:				
Cash Received from Customers	\$ 368,277	\$ 593,389	\$ 214,960	\$ 1,176,626
Cash Paid to Suppliers for Goods and Services	(387,752)	(622,751)	(18,475)	(1,028,978)
Other Nonoperating Income	28,429	1,083	-	29,512
Net Cash Provided (Used) by Operating Activities	8,954	(28,279)	196,485	177,160
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:				
Acquisition and Construction of Capital Assets	(54,059)	(191,534)	(116,238)	(361,831)
Interest Paid on Notes and Bonds	-	(1,109)	-	(1,109)
Net Cash (Used) for Capital and Related Financing Activities	(54,059)	(192,643)	(116,238)	(362,940)
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:				
Transfers (To) Other Funds	(55,153)	50,000	-	(5,153)
Due From (To) Other Funds	100,258	-	-	100,258
Net Cash Provided for Non-Capital Financing Activities	45,105	50,000	-	95,105
CASH FLOWS FROM INVESTING ACTIVITIES:				
Net Increase (Decrease) in Cash and Cash Equivalents	-	(170,922)	80,247	(90,675)
Cash and Cash Equivalents at Beginning of Year	-	373,166	224,935	598,101
Cash and Cash Equivalents at End of Year	\$ -	\$ 202,244	\$ 305,182	\$ 507,426
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities				
Net Operating Income (Loss)	\$ (134,336)	\$ (74,228)	\$ 138,768	\$ (69,796)
Adjustments to Reconcile Net Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:				
Depreciation	129,383	49,906	58,367	237,656
Miscellaneous Non-Operating Income	28,429	1,083	-	29,512
(Increase) Decrease in Assets:				
Accounts Receivable	-	6,080	1,819	7,899
Estimated Unbilled Usage	-	(7,685)	(1,925)	(9,610)
Prepaid Expenses	534	-	-	534
Deferred Revenue	(4,350)	-	-	(4,350)
Due from Other Governments	13,751	-	-	13,751
Increase (Decrease) in Liabilities:				
Accounts Payable	1,529	4,399	(544)	5,384
Capital Lease Payable	(25,986)	(7,634)	-	(33,620)
Total Adjustments	143,290	45,949	57,717	246,956
Net Cash Provided (Used) by Operating Activities	\$ 8,954	\$ (28,279)	\$ 196,485	\$ 177,160

CITY OF LE MARS, IOWA
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
Agency Fund
For the Year Ended June 30, 2015

	Balance July 1, 2014	Additions	Deductions	Balance June 30, 2015
<u>FLEX</u>				
<u>Assets</u>				
Cash and Cash Equivalents	\$ 9,261	\$ 29,759	\$ 30,030	\$ 8,990
Total Assets	9,261	29,759	30,030	8,990
<u>Liabilities</u>				
Accounts Payable	9,261	29,759	30,030	8,990
Total Liabilities	\$ 9,261	\$ 29,759	\$ 30,030	\$ 8,990

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CITY OF LE MARS, IOWA

TABLE I

Principal Taxpayers

TAXPAYER	TYPE OF BUSINESS	1/1/13 VALUATIONS FOR TAXES PAYABLE FY 15	PERCENTAGE OF TOTAL ESTIMATED ACTUAL VALUE
WELLS DAIRY, INC	COMMERCIAL DAIRY	\$53,957,942	10.96%
WD 2005 SPE LLC (WELLS CORPORATE)	CORPORATE HEADQUARTERS	22,178,710	4.50%
MID AMERICAN ENERGY	UTILITY COMPANY	15,300,361	3.11%
NOR-AM COLD STORAGE INC.	COLD STORAGE FACILITY	13,065,771	2.65%
BODEANS BAKING COMPANY	COMMERCIAL BAKERY	9,851,309	2.00%
WAL-MART STORES INC.	DISCOUNT RETAIL STORE	8,002,886	1.62%
LE MARS PUBLIC STORAGE	COMMERCIAL STORAGE	5,909,752	1.20%
STEVE SCHUSTER	COMMERCIAL TRUCKING	5,640,995	1.15%
I M L CONTAINERS	CONTAINER MANUFACTURER	4,627,275	0.94%
CCS REALTY CO. (CLOVERLEAF)	COLD STORAGE FACILITY	4,200,777	0.85%
	TOTAL	\$142,735,778	28.98%
	ALL OTHERS	349,793,360	71.02%
		<u>\$492,529,138</u>	<u>100.00%</u>

TABLE II

Computation of Legal Debt Margin

June 30, 2015

2014-15 ACTUAL VALUATION:	\$710,521,828	
LESS: MILITARY EXEMPTION	(1,000,072)	
	<u>709,521,756</u>	
DEBT LIMIT - 5% OF ESTIMATED ACTUAL VALUATION		\$35,476,088
AMOUNT OF DEBT APPLICABLE TO DEBT LIMIT		
GENERAL OBLIGATION DEBT	4,960,000	
* OTHER DEBT	<u>38,000,889</u>	
	42,960,889	
LESS:		
* REVENUE BONDS/NOTES	<u>38,000,889</u>	
	4,960,000	
AMOUNT AVAILABLE FOR REPAYMENT OF GENERAL OBLIGATION DEBT	<u>724,868</u>	
TOTAL DEBT APPLICABLE TO DEBT LIMIT		<u>4,235,132</u>
LEGAL DEBT MARGIN		<u>\$31,240,956</u>

*Includes Floyd Valley Hospital (Discrete Component Unit).

CITY OF LE MARS, IOWA
TABLE III
Miscellaneous Statistics
June 30, 2015

Date of Incorporation	1881
Date City was Platted	1869
Form of Government	Mayor - Council
Population (2010 Census)	9826
Term of Office:	
Mayor	2
Council Members	4
City Administrator	appointed by Council
Number of Employees:	
Regular Full Time	53
Regular Part Time	8
Fire	24
Ambulance	24
Area in Square Miles	8.54
Miles of Streets	77.95
Percent of Streets Paved	95%
Number of Street Lights	836
Building Permits 2014-2015	100
Total Building Permits Less	
Demolition and Moving	6
New Single and Multi-Family Dwellings	17
Municipal Water System:	
Number of Wells	6
Number of Fire Hydrants	648
Number of Customers	4228
Storage Capacity (Gallons)	2,500,000
Average Daily Consumption (Gallons)	2,550,000
Peak Daily Consumption (Gallons)	5,150,000
Miles of Water Main	79
Sewer System:	
Miles of Sanitary Sewer	60
Miles of Storm Sewer	31
Number of Sanitary Sewer Customers	4,059
Average Daily Sewer Usage (Gallons)	1,845,000
Peak Load (Gallons)	4,730,000
Design Flow	271,250 GPH
Number of Lift Stations	11
Number of Treatment Plants	2
Culture and Recreation:	
Number of Parks	18
Number of Libraries	1
Number of Volumes	43,054
Golf Courses (27 Holes)	1
Swimming Pools	2
Tennis Courts	7
Campgrounds	1
Softball / Baseball Fields	11
Theatre	2
Art Center	1
Recreation Building	1
Fire Stations	2
Police Stations	1
Airports	1
Convention Center	1

CITY OF LE MARS, IOWA
Schedule of Findings
Year Ended June 30, 2015

Part I: Summary of the Independent Auditors' Results

- (a) Unmodified opinions were issued on the financial statements.
- (b) A material weakness in internal control over financial reporting was disclosed by the audit of the financial statements.
- (c) The audit did not disclose any noncompliance which is material to the financial statements.

Part II: Findings Related to the Financial Statements:

Instances of Non-Compliance:

No matters were noted.

Material Weakness:

2015-001 Financial Reporting

Condition and Criteria – The auditors were required to propose and have management post adjusting journal entries to the fund financial statements in order for the financial statements to conform with U.S. generally accepted accounting principles. Management is responsible for the preparation of financial statements in accordance with U.S. generally accepted accounting principles (GAAP).

Effect – The financial statements provided by management are not presented entirely in accordance with U.S. generally accepted accounting principles.

Cause – With a limited number of personnel and current staff workload, the time constraints and staff expertise do not allow for all required year end U.S. GAAP adjusting entries to be posted.

Recommendation – The City should implement procedures to ensure all receivables, payables and capital asset additions are identified and included in the City's financial statements.

Views of Responsible Officials – City management feels that hiring additional personnel to implement the additional U.S. GAAP adjusting journal entries would not be cost-effective. However, management has and will continue to monitor this process on a regular basis.

CITY OF LE MARS, IOWA
Schedule of Findings
Year Ended June 30, 2015

Part III: Other Findings Related to Statutory Reporting:

III-A-15 - Certified Budget

Condition and Criteria – Disbursements during the year ended June 30, 2015, exceeded the amounts budgeted in the community and economic development function.

Effect – The City is not in compliance with Chapter 384.18 of the Code of Iowa.

Cause – The City approved a budget amendment on May 19, 2015. With limited personnel and time constraints, the City inadvertently omitted some items from the preparation of their budget amendment. This resulted in the Community and Economic Development function to be overspent.

Recommendation – The budget should have been amended in accordance with Chapter 384.18 of the Code of Iowa before disbursements were allowed to exceed the budget.

Views of Responsible Officials – The budget will be amended in the future, if applicable.

III-B-15 - Questionable Expenditures - We noted no questionable expenditures during our audit.

III-C-15 - Travel Expense - No expenditures of City money for travel expenses of spouses of City officials or employees were noted.

III-D-15 - Business Transactions - Business transactions between the City and City officials and/or employees are detailed as follows:

<u>Name, Title and Business Connection</u>	<u>Transaction/Description</u>	<u>Amount</u>	
Greg Smidt, City of Le Mars, Police Officer	Labor, Material	\$3,370	(2)
Gus Pech Manufacturing Co., Inc., Cris Collins, President, spouse of employee	Supplies	\$1,443	(1)
Mother Nature Greenhouse, Owned by spouse of Employee, Gayle Sitzmann	Plants	\$2,814	(2)
Motor Inn, Owned by Spouse of Ambulance Employee, Jolynn Ohm	Vehicles and Repair	\$1,575	(2)
The Education Station, Owned by Ambulance Employee, John MacGregor	Supplies	\$6,021	(2)
Roger Weishaar, City of Le Mars, Employee	Crop damage	\$2,296	(2)

(1) The transaction does not appear to represent a conflict of interest since the total transaction was less than \$1,500 during the year, per Chapter 362.5(3)(j) of the code of Iowa.

(2) This transaction may represent a conflict of interest and the City should contact legal counsel for determination.

III-E-15 - Bond Coverage - Surety bond coverage of City officials and employees is in accordance with statutory provisions. However, we recommend that the amount of coverage be reviewed annually to insure that the coverage is adequate for current operations.

III-F-15 - Council Minutes - We noted no transactions requiring approval which had not been approved by the Council.

**CITY OF LE MARS, IOWA
Schedule of Findings
Year Ended June 30, 2015**

Part III: Other Findings Related to Statutory Reporting (Continued):

- III-G-15 - Revenue Bonds - No violations of revenue bond resolutions were noted.
- III-H-15 - Deposits and Investments - We noted no instances of noncompliance with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa and the City's investment policy.
- IV-I-15 - Urban Renewal Annual Report - The urban renewal annual report was properly approved and certified to the Iowa Department of Management on or before December 1.

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**Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance
and Other Matters Based on an Audit of Financial Statements Performed in Accordance With
Government Auditing Standards**

Honorable Members of the City Council
City of Le Mars, Iowa

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the CITY OF LE MARS, IOWA as of and for the year ended June 30, 2015 and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated April 13, 2016. Our report includes a reference to other auditors who audited the financial statements of Floyd Valley Municipal Hospital, as described in our report on the City of Le Mars's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City of Le Mars's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Le Mars's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Le Mars's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings we identified a certain deficiency in internal control that we consider to be a material weakness.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in the accompanying schedule of findings as item 2015-001 to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Le Mars's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2015 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the City. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

City of Le Mars's Response to Findings

The City of Le Mars's response to the findings identified in our audit is described in the accompanying schedule of findings. The City of Le Mars's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

This purpose of this is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of the City during the course of our audit.

If you have any questions concerning the above matters, we would be pleased to discuss them with you at your convenience.

Williams + Company P.C.
Certified Public Accountants

Le Mars, Iowa
April 13, 2016